City of Lancaster, Texas

Annual Comprehensive Financial Report

For the Fiscal Year Ended September 30, 2025

Prepared by the Department of Finance

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Annual Comprehensive Financial Report
Year Ended September 30, 2025
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February 17, 2026

To the Honorable Mayor, Members of City Council and Citizens of the City of Lancaster, Texas:

We hereby issue the Annual Comprehensive Financial Report (ACFR) of the City of Lancaster, Texas (City) for the fiscal year ended September 30, 2025. State law requires that every municipality publish within six months of the close of each year a complete set of audited financial statements, to include the auditor's opinion on the statements, and this report fulfills that requirement.

This report consists of City management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in the report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in accordance with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose.

As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City's financial statements have been audited by **Forvis Mazars, LLP**, independent auditors. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2025, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified (clean) opinion that the City's financial statements for the fiscal year ended September 30, 2025, are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

Profile

Located in Southwest Dallas County, the City of Lancaster is situated just minutes from downtown Dallas. Adjacent to I-35 on its western border and I-20 on its northern boundary, the City covers approximately 33.13 square miles, and serves an estimated 2025 population of 42,394. The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State and is a home-rule city operating under a Council/Manager form of government. The Council is comprised of the Mayor and six Council members, who enact local legislation, adopt budgets, determine policies, and appoint the City Manager, City Secretary, City Attorney and Judge of the municipal court. The City Manager is the chief administrative officer for the City and is responsible for the daily management of the City. Major services provided under general government and enterprise functions are: public safety (police, fire protection and emergency medical services), construction and maintenance of streets, water and sewer delivery services, parks, recreation, library services and general administrative services.

Accounting System and Budgetary Control

One of the objectives of the City's financial accounting system is to provide adequate internal controls. Internal controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received, and the liabilities are incurred.

Accounting records for the City's enterprise activities are maintained on the accrual basis.

The City of Lancaster has adopted a comprehensive set of financial policies. During the current year the City updated its debt policy to name the Chief Financial Officer as the Compliance Officer and key contact for debt related matters. The updated policy also named Hilltop Securities as the entity responsible for making any required updates to EMMA (Electronic Municipal Market Access System) with the City's Finance Department serving as backup.

The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component units on the statement of net position and statement of activities.

Budgetary Controls: The budgetary process begins each year with the preparation of both current and proposed revenue estimates by the City's administrative and financial management staff and expenditure estimates provided by each City department. Budgets are reviewed by the administrative and management staff which consists of the City Manager's office and department directors and managers. The City Manager makes final decisions and submits a recommended budget to the City Council. The proposed budget is reviewed by the City Council, a process which includes a public hearing, in addition to work sessions which are open to the public. State law requires adoption of the City budget no later than the 30th day of September.

The objective of the budgetary controls maintained by the City is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, water and sewer fund, and other funds are included in the annual budget and are appropriated annually. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amounts) is established by departments within the individual fund. The City Manager is authorized to transfer budgeted amounts between line items and departments as long as it does not alter the overall budget of said fund. However, any revisions that alter the total expenditures of any fund must be approved by the City Council.

Monthly departmental expenditure reports are generated by an automated accounting system and provide expenditure totals and encumbrances at the line-item level for the most recently completed month as well as the year-to-date total, and an actual versus budgeted rate of expenditure. Major expenditure requests in excess of $100k are approved by the City Council prior to the encumbrance of funds.

Relevant Financial Policies

The City has established a policy to have a balanced budget and to maintain a reserve account of 18 percent of budgeted expenditures. In fiscal year 2025, the General Fund accomplished this by having an unassigned fund balance of $9,141,394 which meets that reserve requirement.

The City also has a long-range planning policy to identify major issues when developing its fiscal year budget. A five-year budget analysis of all City funds is developed to provide an understanding of the long-term impact of budget decisions. The fiscal year 2025 budget was prepared along with a planning budget for fiscal years 2026-2030.

Cash Management Policies and Practices: The City's current bank depository contract is with JP Morgan Chase. The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The City's investment strategies include using cash flow analysis to purchase securities; however, cash temporarily idle during the year was invested in three public funds investment pools – TexPool, LOGIC and Texas CLASS. This practice allows for a diversified balanced approach to changing interest rates. Investments in the deferred compensation plans are held by the third-party plan administrators. The investment policy is annually updated and approved by the Council in compliance with the *Texas Public Funds Investment Act*.

Pension and other post-employment benefit:

The City participates in the Texas Municipal Retirement System (TMRS), an agency authorized by the State of Texas. Employees of the City contribute seven percent of their gross pay and the City offers a 2:1 match. TMRS participants are immediately vested in those funds they contribute plus allocated interest. Participants are vested in employer contributions after five years of credited participation. If participants withdraw from TMRS prior to five years of credited participation, they may withdraw from TMRS those funds they contributed plus interest earnings. The City also provides postretirement health and dental care benefits for certain retirees and their dependents at the retiree's expense. As of the current fiscal year, there were ten retired employees receiving these benefits. Additional information on the City's pension arrangements and post-employment benefits can be found in the notes to the basic financial statements.

Local Economy

Lancaster's economy has diversified and grown considerably since 2019, demonstrating a notable enhancement across multiple sectors. Over the past few years, the city successfully attracted substantial new investment, diversified its industrial base, gained a significant number of higher paying jobs, saw the rejuvenation of the downtown square and experienced steady growth in household income and real estate values. Lancaster added over fifteen million square feet of new industrial space in the last five years.

Planned investment in substantial electric power service improvements for the area, coupled with increased national needs for improved data services, make Lancaster a prime site for new data center

development. With over two thousand acres of developable vacant land in the eastern and northern portion of the city, several new data center developments are anticipated. These facilities typically have large assessed valuations for both real and business personal property and offer higher paying jobs. SkyBox Data Center is currently under construction on the southern edge of the City. The campus spans 110 acres and will feature a private 300 MW substation that will be served by Oncor, the local electric delivery company.

Through this growth, Lancaster continues to benefit from the partnerships created by several of these projects. These partnerships include Walmart, who completed the construction of an eCommerce Fulfillment Center and Cold Storage Facility, bringing in an expected capital expenditure (capex) of $1.2 billion and creating approximately 1,300 jobs. The Walmart facilities are highly automated and employees are more likely to oversee the robots than manual labor.

Another prominent company is Kodiak Robotics who over the last two years expanded their operations within the city. Kodiak not only broadened its service network but also enlarged its Lancaster facility with a $1.5 million capital investment ensuring its continual contribution to the local economy. (Dallas Business Journal).

In 2024, Niagara Bottling, completed construction of its largest facility in the world in the City. The 1.2 million square foot plant employs approximately 300 people. Also in 2024, McKinley Packaging completed their 450,000 square foot facility.

The city is also sustained by a number of major US and international companies that located in Lancaster in the last six years: DSV Logistics, Best Buy, CRC Global, Electrolux (expansion and move to larger location), Linde Gas, MineArc, ICU Medical, ThredUp, Waabi, American Licorice, Cold Summit, Blue Triton, Ollie's, Boise Cascade, OW Distribution, Curt Manufacturing, Shock Gard, Wayfair and Mars Petcare are among the corporations with extensive facilities in Lancaster, leading to a surge in job creation and economic stimulation. These ventures reflect a remarkable influx of industrial activities within the city.

The City continues to execute the Lancaster Economic Development Strategic Plan which was adopted by the City Council in 2018, making meaningful advancements in the targeted industries and business sectors. These include Artificial Intelligence, Advanced Manufacturing, and High Tech Distribution. This diversified investment landscape underscores the city's strategic focus and adaptability in driving economic growth.

The City recently partnered with Star Transit to bridge the gap in the availability of public transportation. This service provides both rides on demand and fixed routes, which has helped residents access jobs, services, and opportunity.

The City's unemployment rate at the 2025 fiscal year end was 5.1 percent. The City of Lancaster benefits from its easily accessible location in the Dallas-Fort Worth region, fifteen miles south of downtown Dallas and situated between three interstate highways - I-35E, I-20 and I-45. The City's location between the 3 interstate freeways and State Highway Loop 9 has been referred to as the Golden Box. Lancaster is rapidly becoming an employment hub for the area. The City's location and the close proximity to world class

cultural, sports, arts and entertainment centers in Dallas, Fort Worth and the region also contribute to growth in the City. Lancaster is part of the Best Southwest Partnership, which includes the cities of Lancaster, Cedar Hill, DeSoto, and Duncanville.

The 2025 North Central Texas Council of Governments population estimate for Lancaster is 42,394 people, an increase of 16.6 percent over the 20 l O Census and 63.7 percent over the 2000 Census. Lancaster still contains a large amount of undeveloped land within the City's 33.13 square miles.

In fiscal year 2025, the overall taxable value of property in the Lancaster was up 13.3 percent over the fiscal year 2024 value. Commercial and business personal property grew at a higher rate (24.6 percent increase) than residential property (2.7 percent decrease). Sales tax collections in FY2025 were slightly below FY2024 levels by $1,036,904.04, but are expected to rebound with new development and construction activity.

Major Initiatives

Annually, the City Council has adopted goals aimed at guiding Lancaster's future growth and development. For fiscal year 2025-2026, included initiatives are:

- Financially Sound Government;
- Professional & Committed City Workforce;
- Healthy, Safe & Engaged Community;
- Quality Development;
- Sound Infrastructure.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certification of Achievement for Excellence in Financial Reporting to the City of Lancaster, Texas for its annual comprehensive financial report (ACFR) for the fiscal year ended September 30, 2024. This is the 10th consecutive year the City has been awarded this certification. In order to be awarded a Certificate of Achievement, the City of Lancaster, Texas had to publish an easily readable and efficiently organized ACFR that satisfied both generally accepted accounting principles and applicable program requirements.

The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the City's staff. In particular, we would like to recognize and express our heartfelt appreciation to all members of the Finance Department, who all worked diligently to assist and contribute to the preparation of this report. The Mayor and the City Council are to be commended for their willingness to participate in the strategic planning process for financial operations, and for their commitment to maintaining the highest standards of professionalism in the management of the City of Lancaster's finances.

Respectively submitted,

Opal Mauldin-Jones, City Manager

Christine Harris Reed, Finance Director

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lancaster
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2024

Christopher P. Morrill

Executive Director/CEO

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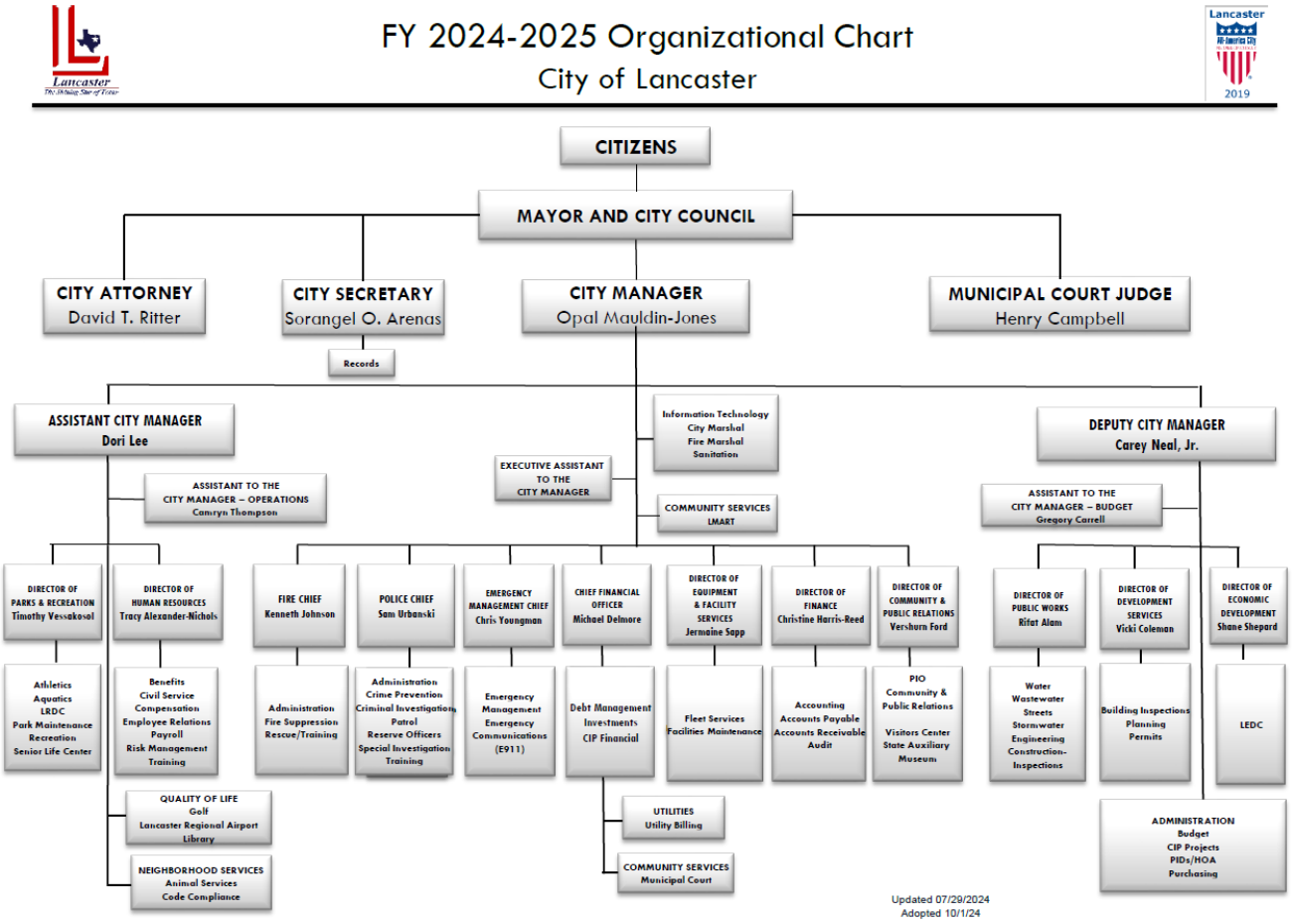
City of Lancaster, Texas

Organizational Chart



City of Lancaster, Texas
List of Principal Officers
as of September 30, 2025

City Council

Clyde C. Hairston	Mayor	Term Expires May 2028
Carol Strain-Burk	Council Member, District 1	Term Expires May 2028
Stanley Jaglowski	Council Member, District 2	Term Expires May 2026
Marco Mejia	Council Member, District 3	Term Expires May 2028
Derrick D. Robinson.	Council Member, District 4	Term Expires May 2026
Mitchell Cheatham	Mayor Pro Tem, District 5	Term Expires May 2028
Betty Gooden-Davis	Deputy Mayor Pro Tem, District 6	Term Expires May 2026

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City Executive Staff

Opal Mauldin-Jones	City Manager
Carey D. Neal Jr.	Deputy City Manager
Dori Lee.	Assistant City Manager
Sorangel O. Arenas	City Secretary
Vicki D. Coleman	Director of Development Services
Shane Shepard	Director of Economic Development
Chris Youngman	Emergency Management Chief
Jermaine Sapp	Director of Equipment & Facility Services
Christine Harris Reed	Director of Finance
Michael Delmore	Chief Financial Officer
Kenneth Johnson	Fire Chief
Tracy Alexander-Nichols	Director of Human Resources
Timothy Vessakosol	Director of Parks & Recreation
Rifat Alam	Director of Public Works
Sam Urbanski	Police Chief

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Financial Section

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Lancaster, Texas

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lancaster, Texas (City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension, and other postemployment benefit information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual comprehensive financial report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Forvis Mazars, LLP

Dallas, Texas
March 2, 2026

Introduction

The Management's Discussion and Analysis (MD&A) section presents a narrative overview and analysis of the financial activities of the City of Lancaster, Texas (City) for the fiscal year ended September 30, 2025. We encourage readers to consider the information presented here in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the end of fiscal year 2025, resulting in $252,550,396 of net position. Net position associated with governmental activities is $138,729,692, or 55% of the total net position of the City. Net position associated with business-type activities is $113,820,704, or 45% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is $87,882,164.
- Unrestricted net position, which may be used to meet the City's future obligations, consists of $102,438,694 or 40% of the City's total net position. Unrestricted net position for governmental activities is $34,593,755, or 25% of total net position for governmental activities. Unrestricted net position for business-type activities is $67,844,939 or 60% of total net position for business-type activities.
- As of the close of fiscal year 2025, the City's Governmental Funds reported a combined ending fund balance of $134,561,746, an increase of $25,703,160 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $9,141,394. This represents approximately 18% of budgeted 2026 General Fund expenditures.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, for example uncollected taxes and earned, but not used, vacation leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general administration, public safety, public works, drainage systems, library, human resources, and finance. The business-type activities of the City include water and sewer, airport operations, refuse and golf course operations.

The government-wide financial statements include the Lancaster Economic Development Corporation and the Lancaster Recreational Development Corporation as part of its reporting entity as discretely presented component units. Discrete presentation entails reporting component unit financial data in columns separate from the financial data of the primary government. The Lancaster Economic Development Corporation and the Lancaster Recreational Development Corporation are legally separate entities.

Fund Financial Statements. A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Some funds are required to be established by state law and by bond covenants. The City Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities when using certain taxes, grants, or other money. The City's two kinds of funds – Governmental and Proprietary – utilize different accounting approaches.

Governmental Funds. The majority of the City's basic services are reported in Governmental Funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The Governmental Fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

By comparing information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationships, or differences between governmental activities (reported in the accompanying Statement of Net Position and the Statement of Activities) and Governmental Funds, are detailed in a reconciliation following the fund financial statements.

Information is presented separately in the accompanying Governmental Funds Balance Sheet and in the accompanying Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Debt Service Fund, Capital Projects Fund, and ARPA Fund all of which are considered to be major funds. Data from the other Governmental Funds are combined into a single, aggregated presentation. Individual fund data for each of these Non-major Governmental Funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the accompanying Statement of Net Position and the Statement of Activities. The City's Enterprise Funds (a component of Proprietary Funds) are identical to the business-type activities reported in the government-wide statements, but provide information, such as cash flows.

The City maintains an Enterprise Fund to account for: (1) water and sewer services provided to the City's retail and wholesale customers, (2) trash collection and disposal services, (3) operation of the City's airport, and (4) operation of the City's golf course. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, billing, and collection. The City's intent is that the cost of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private-sector business enterprise.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligations. Required supplementary information immediately follows the notes to the financial statements. Combining statements for Non-major Governmental Funds, Enterprise Funds, and component units fund financial statements follow the section of required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of September 30, 2025, City assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources resulting in $252,550,396 of net position.

Statement of Net Position for Governmental and Business-type Activities

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 146,747,414	$ 75,629,984	$ 222,377,398	$ 122,431,580	$ 64,483,827	$ 186,915,407
Capital and subscription assets	119,508,175	49,221,871	168,730,046	111,167,306	47,889,415	159,056,721
Total assets	266,255,589	124,851,855	391,107,444	233,598,886	112,373,242	345,972,128
Deferred outflows of resources	5,928,712	639,411	6,568,123	6,921,856	748,791	7,670,647
Long-term liabilities	116,991,090	5,083,036	122,074,126	101,751,343	5,162,876	106,914,219
Other liabilities	14,420,868	6,394,927	20,815,795	14,926,192	5,052,167	19,978,359
Total liabilities	131,411,958	11,477,963	142,889,921	116,677,535	10,215,043	126,892,578
Deferred inflows of resources	2,042,651	192,599	2,235,250	1,142,467	107,080	1,249,547
Net position						
Net investment in capital assets	41,906,399	45,975,765	87,882,164	59,214,187	44,079,563	103,293,750
Restricted	62,229,538	-	62,229,538	30,285,704	-	30,285,704
Unrestricted	34,593,755	67,844,939	102,438,694	33,200,849	58,720,347	91,921,196
Total net position	$ 138,729,692	$ 113,820,704	$ 252,550,396	$ 122,700,740	$ 102,799,910	$ 225,500,650

By far, the largest portion of the City's net position (35%) reflects its investment in capital assets (*e.g.*, land, buildings, machinery, equipment, vehicles, and infrastructure), less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (25%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $102,438,694 (40%) is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Analysis of City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2025. Overall, the City had an increase in net position of $27,049,746.

Revenues and Expenses for Governmental and Business-type Activities

	2025			2024		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues						
Charges for services	$ 9,763,170	$ 35,939,735	$ 45,702,905	$ 7,786,128	$ 32,008,916	$ 39,795,044
Operating grants and contributions	1,313,444	127,630	1,441,074	1,549,733	22,993	1,572,726
Capital grants and contributions	-	-	-	99,051	-	99,051
General revenues						
Taxes and fees	58,416,053	-	58,416,053	51,142,793	-	51,142,793
Grants not restricted to specific programs	1,326,981	-	1,326,981	1,650,325	-	1,650,325
Other	7,215,497	5,039,907	12,255,404	6,035,345	4,209,835	10,245,180
Total revenues	78,035,145	41,107,272	119,142,417	68,263,375	36,241,744	104,505,119
Expenses						
General government	16,867,054	-	16,867,054	13,460,900	-	13,460,900
Public safety	32,308,470	-	32,308,470	28,665,700	-	28,665,700
Public works	7,211,617	-	7,211,617	6,296,008	-	6,296,008
Community development and recreation	3,032,217	-	3,032,217	3,248,748	-	3,248,748
Interest and fiscal charges	4,127,100	-	4,127,100	2,712,975	-	2,712,975
Water and sewer	-	23,403,273	23,403,273	-	20,244,327	20,244,327
Refuse	-	2,663,227	2,663,227	-	2,506,501	2,506,501
Airport	-	1,045,483	1,045,483	-	1,049,400	1,049,400
Golf course	-	1,434,230	1,434,230	-	1,425,985	1,425,985
Total expenses	63,546,458	28,546,213	92,092,671	54,384,331	25,226,213	79,610,544
Increase in Net Position Before Transfers	14,488,687	12,561,059	27,049,746	13,879,044	11,015,531	24,894,575
Transfers	1,540,265	(1,540,265)	-	892,501	(892,501)	
Change in Net Position	16,028,952	11,020,794	27,049,746	14,771,545	10,123,030	24,894,575
Net Position, Beginning of Year	122,700,740	102,799,910	225,500,650	107,929,195	92,676,880	200,606,075
Net Position, End of Year	$ 138,729,692	$ 113,820,704	$ 252,550,396	$ 122,700,740	$ 102,799,910	$ 225,500,650

Governmental Activities. Governmental activities increased the City's net position by $16,028,952. Total revenue for the governmental activities (excluding transfers) increased from the previous year by $9,771,770. Property tax collections increased as a result of new business and property additions as well as due to recent real property reappraisals. Charges for services increased from the previous year as a result of more building permits issued in current year. General government expenses increased over prior year primarily due to increased salaries, benefits, and pension costs. Public safety expense increased over prior year primarily due to increased cost in personnel.

Business-type Activities. Net position from business-type activities increased by $11,020,794. Total revenue for the business-type activities increased from the previous year by $4,865,528 primarily due to an increase in charges for services revenue as a result of an increase in water rates. Expenses increased for business-type activities from the previous year primarily due to an increase in water purchases and sewer treatment costs.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's Governmental Funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's Governmental Funds reported a combined ending fund balance of $134,561,746, an increase of $25,703,160 from the prior year. This amount includes fund balance committed for $35,671,167 due to adoption of ordinances approved by City Council for special projects. The City has fund balance assigned by the City Manager of $3,896,617. The City also has fund balance restrictions for court, capital projects, debt service, public works, public improvement districts, police, tourism, law enforcement, and parkland dedication, for a total of $85,652,445. The net unassigned fund balance was $9,140,839. Components of the net increase of the total fund balance are:

- The General Fund recorded a net increase in fund balance of $5,427,830, primarily related to increased property tax revenue due to a robust economy.
- Capital Projects Fund recorded a net increase in fund balance of $11,952,127, primarily related to the issuance of debt and increased investment return due to strong market performance, offset by an increase in capital outlay as a result of planned spending of debt proceeds on eligible capital projects.
- General Obligation Debt Service Fund recorded a net increase in fund balance of $6,055,225, primarily related to property tax revenue increase and issuance of the 2025 tax note.
- ARPA Fund remained at a deficit fund balance of $555.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements. Unrestricted net position of the Water and Sewer Fund at the end of the fiscal year amounted to $64,282,808, the Airport Fund reported an unrestricted net position of ($1,397,263) and the Golf Fund reported an unrestricted net position of ($1,506,084).

General Fund Budgetary Highlights

Significant amendment changes:

There were no changes to budgeted revenues or expenditures for the fiscal year 2025.

Significant budget variances:

Revenues exceeded budget by $13,174,098 as a result of a robust and active economy. More than half of the increase is reflected in increased property and sales tax, and licenses and permits revenue revenue.

Expenditures exceeded budget by $6,442,012. The overage was covered by excess revenue or available fund balance.

Capital Assets

The City's capital assets for its governmental and business-type activities as of September 30, 2025, amount to $168,730,047 (net of accumulated depreciation). This net investment in capital assets includes land, buildings, park facilities, roads, bridges, water and sewer lines and subscription assets.

Additional information on capital asset activity can be found in *Note 7* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Land	$ 14,069,995	$ 14,069,995	$ 7,633,631	$ 7,633,631	$ 21,703,626	$ 21,703,626
Construction in progress	894,716	669,016	252,604	-	1,147,320	669,016
Buildings	39,248,205	37,482,501	4,422,961	4,399,312	43,671,166	41,881,813
Infrastructure, improvements, equipment, and furniture	172,119,254	160,536,972	93,755,728	90,801,005	265,874,982	251,337,977
Subscription assets	781,420	781,420	-	-	781,420	781,420
Accumulated depreciation	(107,605,415)	(102,372,598)	(56,843,053)	(54,944,533)	(164,448,468)	(157,317,131)
Total	$ 119,508,175	$ 111,167,306	$ 49,221,871	$ 47,889,415	$ 168,730,046	$ 159,056,721

Long-term Debt

At the end of the current fiscal year, the City had total bonds outstanding of $88,870,017 all being tax supported. The City also has $615,714 of debt through financed purchases. The City also has $7,950 of subscription liability. Additional information on long-term debt activity can be found in *Note 8* of this report.

	Governmental Activities		Business-type Activities		Totals	
	2025	2024	2025	2024	2025	2024
General obligation bonds	$ 43,300,017	$ 46,510,017	$ 3,319,983	$ 3,889,983	$ 46,620,000	$ 50,400,000
Certificates of obligation	45,570,000	32,775,000	-	-	45,570,000	32,775,000
Tax notes	4,782,401	-	-	-	4,782,401	-
Subscription liability	7,950	86,276	-	-	7,950	86,276
Financed purchases	615,714	951,207	-	-	615,714	951,207
Total	$ 94,276,082	$ 80,322,500	$ 3,319,983	$ 3,889,983	$ 97,596,065	$ 84,212,483

The City has an Aa2 rating from Moody's Investors Service and an AA rating from Standard and Poor's.

Economic Factor and Next Year's Budgets and Rates

In the fiscal year 2026 budget, General Fund revenues are budgeted to increase by 7.5% from the 2025 budget year. The budget increase is the direct result of increased property and sales tax revenue.

Property taxes make up about 58% of budgeted revenues and sales tax make up about 23% of budgeted revenues.

Request for Information

For additional information please contact Director of Finance, Christine Harris, at 972-218-1323 or Finance Department, City of Lancaster, Texas, P.O. Box 940, Lancaster, Texas, 75146, email creed@lancaster-tx.com.

Basic Financial Statements

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City of Lancaster, Texas
Statement of Net Position
September 30, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
Assets and Deferred Outflows of Resources					
Cash and cash equivalents	$ 136,262,601	$ 72,321,690	$ 208,584,291	$ 12,061,146	$ 11,304,416
Receivables (net of allowances)					
Notes	515,000	-	515,000	-	-
Delinquent taxes	1,282,684	-	1,282,684	-	-
Accounts	2,383,821	3,975,397	6,359,218	-	43,668
Sales tax	2,502,298	-	2,502,298	500,429	1,000,914
Fines	205,822	-	205,822	-	-
Due from component unit	1,295,543	-	1,295,543	-	-
Due from primary government	-	-	-	597,238	-
Prepaid items	52,439	-	52,439	-	15,707
Inventory	148,239	76,434	224,673	-	-
Internal balances	2,098,967	(2,098,967)	-	-	-
Restricted cash	-	1,355,430	1,355,430	-	-
Capital assets					
Nondepreciable	14,964,711	7,886,235	22,850,946	100,378	989,118
Depreciable (net of accumulated deprecation)	104,543,464	41,335,636	145,879,100	1,333,221	6,468,275
Total assets	266,255,589	124,851,855	391,107,444	14,592,412	19,822,098
Deferred Outflows of Resources					
Deferred charge on refunding	590,327	110,511	700,838	-	-
Deferred outflows from pensions	5,174,369	514,494	5,688,863	53,844	266,708
Deferred outflows from OPEB	164,016	14,406	178,422	1,893	9,485
Total deferred outflows of resources	5,928,712	639,411	6,568,123	55,737	276,193
Total assets and deferred outflows of resources	$ 272,184,301	$ 125,491,266	$ 397,675,567	$ 14,648,149	$ 20,098,291
Liabilities, Deferred Inflows of Resources and Net Position					
Accounts payable	$ 4,278,316	$ 3,963,146	$ 8,241,462	$ 307,854	$ 271,795
Accrued liabilities	866,052	470,227	1,336,279	-	54,708
Accrued interest	238,758	8,886	247,644	4,065	1,310
Due to primary government	-	-	-	-	1,295,543
Due to component unit	-	597,238	597,238	-	-
Unearned revenue	3,205,191	-	3,205,191	-	-
Deposits	1,050,150	1,355,430	2,405,580	-	-
Noncurrent liabilities					
Due within one year					
General obligation bonds	3,330,000	580,000	3,910,000	-	-
Certificates of obligation	1,570,000	-	1,570,000	-	-
Notes payable	-	-	-	200,000	-
Subscription liability	7,950	-	7,950	-	-
Compensated absences	423,106	7,745	430,851	-	-
Financed purchases	243,858	-	243,858	-	-
Tax notes	4,782,401	-	4,782,401	-	-
Due in more than one year					
General obligation bonds	46,300,750	2,776,617	49,077,367	-	-
Certificates of obligation	44,000,000	-	44,000,000	-	-
Notes payable	-	-	-	315,000	-
Compensated absences	3,807,956	70,356	3,878,312	16,142	48,708
Financed purchases	371,856	-	371,856	-	-
Arbitrage liability	588,051	-	588,051	-	-
Net pension liability	15,043,377	1,526,998	16,570,375	162,731	781,018
Total OPEB liability	1,304,186	121,320	1,425,506	15,165	75,825
Total liabilities	131,411,958	11,477,963	142,889,921	1,020,957	2,528,907
Deferred Inflows of Resources					
Deferred inflows from pensions	1,159,678	111,780	1,271,458	12,130	62,325
Deferred inflows from other post employment benefits	882,973	80,819	963,792	10,199	50,992
Total deferred inflows of resources	2,042,651	192,599	2,235,250	22,329	113,317
Net Position					
Net invested in capital assets	41,906,399	45,975,765	87,882,164	1,433,599	7,457,393
Restricted for					
Capital Projects	31,533,900	-	31,533,900	-	-
Debt service	14,103,101	-	14,103,101	-	-
Public works	7,009,210	-	7,009,210	-	-
Public improvement districts	4,191,124	-	4,191,124	-	-
Police	443,247	-	443,247	-	-
Tourism, convention centers, arts	2,473,692	-	2,473,692	-	-
Law enforcement purposes	1,922,086	-	1,922,086	-	-
Parkland dedication	553,178	-	553,178	-	-
Unrestricted	34,593,755	67,844,939	102,438,694	12,171,264	9,998,674
Total net position	138,729,692	113,820,704	252,550,396	13,604,863	17,456,067
Total liabilities, deferred inflows of resources and net position	$ 272,184,301	$ 125,491,266	$ 397,675,567	$ 14,648,149	$ 20,098,291

City of Lancaster, Texas
Statement of Activities
For the Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 16,867,054	$ 9,169,351	$ 424,190	$ -
Public safety	32,308,470	13,937	19,254	-
Public works	7,211,617	579,882	-	-
Community development and recreation	3,032,217	-	870,000	-
Interest	4,127,100	-	-	-
Total governmental activities	63,546,458	9,763,170	1,313,444	-
Business-type activities				
Water and sewer	23,403,273	30,609,183	-	-
Refuse	2,663,227	2,987,686	-	-
Airport	1,045,483	874,032	127,630	-
Golf course	1,434,230	1,468,834	-	-
Total business-type activities	28,546,213	35,939,735	127,630	-
Total primary government	$ 92,092,671	$ 45,702,905	$ 1,441,074	$ -
Component Units				
Lancaster Economic Development Corporation	1,396,345	-	-	-
Lancaster Recreational Development Corporation	3,403,954	488,654	-	-
Total component units	$ 4,800,299	$ 488,654	$ -	$ -
General Revenues				
Taxes				
Property taxes				
Sales taxes				
Franchise taxes				
Other taxes				
Grants not restricted to specific programs				
Interest on investments				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position, beginning of year				
Net position, end of year				

Net (Expense) Revenue and Changes in Net Position				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Lancaster Economic Development Corporation	Lancaster Recreational Development Corporation
$ (7,273,513)	$ -	$ (7,273,513)	$ -	$ -
(32,275,279)	-	(32,275,279)	-	-
(6,631,735)	-	(6,631,735)	-	-
(2,162,217)	-	(2,162,217)	-	-
(4,127,100)	-	(4,127,100)	-	-
(52,469,844)	-	(52,469,844)	-	-
-	7,205,910	7,205,910	-	-
-	324,459	324,459	-	-
-	(43,821)	(43,821)	-	-
-	34,604	34,604	-	-
-	7,521,152	7,521,152	-	-
$ (52,469,844)	$ 7,521,152	$ (44,948,692)	$ -	$ -
			(1,396,345)	-
			-	(2,915,300)
			$ (1,396,345)	$ (2,915,300)
39,259,277	-	39,259,277	-	-
13,901,534	-	13,901,534	2,780,307	5,560,613
2,383,621	-	2,383,621	-	-
2,871,621	-	2,871,621	-	-
1,326,981	-	1,326,981	-	-
6,212,270	2,580,848	8,793,118	467,070	402,363
1,003,227	2,459,059	3,462,286	-	14,531
1,540,265	(1,540,265)	-	-	-
68,498,796	3,499,642	71,998,438	3,247,377	5,977,507
16,028,952	11,020,794	27,049,746	1,851,032	3,062,207
122,700,740	102,799,910	225,500,650	11,753,831	14,393,860
$ 138,729,692	$ 113,820,704	$ 252,550,396	$ 13,604,863	$ 17,456,067

City of Lancaster, Texas
Balance Sheet
Governmental Funds
September 30, 2025

	General	Capital Projects Fund	General Obligation Debt Service Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$ 46,745,078	$ 49,813,136	$ 18,923,088	$ 3,206,741	$ 17,574,558	$ 136,262,601
Receivables (net of allowance for uncollectibles)						
Notes	-	-	515,000	-	-	515,000
Delinquent taxes	946,097	-	309,505	-	27,082	1,282,684
Accounts	1,894,442	-	-	-	489,379	2,383,821
Sales tax	2,502,298	-	-	-	-	2,502,298
Fines	205,822	-	-	-	-	205,822
Due from						
Component unit	407,779	887,764	-	-	-	1,295,543
Other funds	2,080,499	18,468	-	-	-	2,098,967
Inventory, at cost	148,239	-	-	-	-	148,239
Prepaid items	52,439	-	-	-	-	52,439
Total assets	$ 54,982,693	$ 50,719,368	$ 19,747,593	$ 3,206,741	$ 18,091,019	$ 146,747,414
Liabilities, Deferred Inflows of Resources and Fund Balances (Deficit)						
Liabilities						
Accounts and contracts payable	$ 2,551,977	$ 1,008,195	$ 1,650	$ 2,105	$ 714,389	$ 4,278,316
Accrued liabilities	675,866	-	-	-	190,186	866,052
Deposits	1,050,150	-	-	-	-	1,050,150
Unearned revenue	-	-	-	3,205,191	-	3,205,191
Total liabilities	4,277,993	1,008,195	1,650	3,207,296	904,575	9,399,709
Deferred Inflows of Resources						
Unavailable revenue	1,794,844	-	791,115	-	200,000	2,785,959
Total deferred inflows of resources	1,794,844	-	791,115	-	200,000	2,785,959
Fund Balances (Deficit)						
Nonspendable for inventory and prepaid items	200,678	-	-	-	-	200,678
Restricted for						
Capital projects	-	49,711,173	-	-	393,907	50,105,080
Debt service	-	-	18,954,828	-	-	18,954,828
Public works	-	-	-	-	7,009,210	7,009,210
Public improvement districts	-	-	-	-	4,191,124	4,191,124
Police	-	-	-	-	443,247	443,247
Tourism, convention centers, arts	-	-	-	-	2,473,692	2,473,692
Law enforcement purposes	-	-	-	-	1,922,086	1,922,086
Parkland dedication	-	-	-	-	553,178	553,178
Committed	35,671,167	-	-	-	-	35,671,167
Assigned	3,896,617	-	-	-	-	3,896,617
Unassigned	9,141,394	-	-	(555)	-	9,140,839
Total fund balances (deficit)	48,909,856	49,711,173	18,954,828	(555)	16,986,444	134,561,746
Total liabilities, deferred inflows of resources and fund balances (deficit)	$ 54,982,693	$ 50,719,368	$ 19,747,593	$ 3,206,741	$ 18,091,019	$ 146,747,414

City of Lancaster, Texas
Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
September 30, 2025

Total fund balances – governmental funds		$ 134,561,746
Amounts reported for governmental activities in the statement of net position are different because:		
Capital and subscription assets (net of accumulated depreciation/amortization) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital and subscription assets are reported in the government-wide financial statements, net of accumulated depreciation/amortization.		119,508,175
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(238,758)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		2,785,959
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Deferred charges on refunding	$ 590,327	
Deferred outflows of resources – pension	5,174,369	
Deferred outflows of resources – OPEB	164,016	
Deferred inflows of resources – pension	(1,159,678)	
Deferred inflows of resources – OPEB	(882,973)	3,886,061
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
General obligation bonds	$ (43,300,017)	
Certificates of obligation	(45,570,000)	
Tax notes	(4,782,401)	
Premiums on bond debt	(6,330,733)	
Arbitrage liability	(588,051)	
Subscription liability	(7,950)	
Net pension liability	(15,043,377)	
Compensated absences	(4,231,062)	
Total OPEB liability	(1,304,186)	
Financed purchases	(615,714)	(121,773,491)
Total net position of governmental activities		$ 138,729,692

City of Lancaster, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2025

	General	Capital Projects Fund	General Obligation Debt Service Fund	ARPA Fund	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes and fees	$ 43,735,004	$ 167,319	$ 10,038,769	$ -	$ 5,675,915	$ 59,617,007
Licenses and permits	5,796,452	-	-	-	380,371	6,176,823
Intergovernmental	444,444	-	870,000	1,325,981	-	2,640,425
Charges for services	1,965,239	-	-	-	34,025	1,999,264
Fines and forfeits	1,420,304	-	-	-	166,779	1,587,083
Interest	2,328,840	2,666,140	589,784	-	627,506	6,212,270
Miscellaneous	783,163	-	-	-	220,064	1,003,227
Total revenues	56,473,446	2,833,459	11,498,553	1,325,981	7,104,660	79,236,099
Expenditures						
Current						
General government	14,953,395	-	-	-	-	14,953,395
Public safety	27,978,090	-	-	355,768	261,832	28,595,690
Public works	3,681,642	878,191	-	-	2,185,172	6,745,005
Community development and recreation	2,104,485	-	-	-	621,528	2,726,013
Capital outlay	3,953,288	7,017,429	-	970,213	1,632,756	13,573,686
Debt service						
Principal retirement	-	-	6,523,819	-	45,000	6,568,819
Interest and fiscal charges	-	-	3,677,352	-	5,375	3,682,727
Cost of issuance of bonds	-	237,519	24,558	-	-	262,077
Total expenditures	52,670,900	8,133,139	10,225,729	1,325,981	4,751,663	77,107,412
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,802,546	(5,299,680)	1,272,824	-	2,352,997	2,128,687
Other Financing Sources (Uses)						
Transfers in	1,625,284	-	-	-	-	1,625,284
Transfers out	-	-	-	-	(85,019)	(85,019)
Issuance of debt	-	15,740,000	-	-	-	15,740,000
Issuance of tax notes	-	-	4,782,401	-	-	4,782,401
Premium on debt issued	-	1,511,807	-	-	-	1,511,807
Total other financing sources (uses)	1,625,284	17,251,807	4,782,401	-	(85,019)	23,574,473
Net Change in Fund Balances	5,427,830	11,952,127	6,055,225	-	2,267,978	25,703,160
Fund Balances (Deficit), Beginning of Year	43,482,026	37,759,046	12,899,603	(555)	14,718,466	108,858,586
Fund Balances (Deficit), End of Year	$ 48,909,856	$ 49,711,173	$ 18,954,828	$ (555)	$ 16,986,444	$ 134,561,746

City of Lancaster, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2025

Net change in fund balances – total governmental funds		$ 25,703,160
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.		13,573,686
Depreciation/amortization expense on capital and subscription assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation/amortization expense is not reported as expenditures in the governmental funds.		(5,232,817)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	$ 6,155,000	
Subscription liability	78,326	
Financed purchases	335,493	6,568,819
The issuance of long-term debt (e.g. bonds, leases, subscription liabilities) provides current financial resources to governmental funds, but shown as additions in long-term liabilities in the government-wide financial statements.		(20,522,401)
Governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.		
Premium on issuance of debt	(1,511,807)	
Amortization of premium	497,274	(1,014,533)
Governmental funds report the effect of losses on refundings when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.		(60,662)
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.		(1,337,332)
Current year change in long-term liability for compensated absences and OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		170,894
Current year changes in accrued interest and arbitrage payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(618,908)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds. This is the net change in these revenues for the year.		(1,200,954)
Change in net position of governmental activities		$ 16,028,952

City of Lancaster, Texas
Statement of Net Position
Proprietary Funds
September 30, 2025

	Water and Sewer Fund	Airport Fund	Golf Fund	Non-major Enterprise Funds	Total
Assets					
Current assets					
Cash and cash equivalents	$ 65,734,167	$ 177,160	$ 57,025	$ 6,353,338	$ 72,321,690
Receivables (net of allowance for uncollectibles)					
Accounts	2,011,601	-	1,076	288,451	2,301,128
Unbilled	1,540,990	-	-	133,279	1,674,269
Inventory	-	76,434	-	-	76,434
Restricted cash	1,355,430	-	-	-	1,355,430
Total current assets	70,642,188	253,594	58,101	6,775,068	77,728,951
Capital assets					
Nondepreciable	3,092,015	4,444,666	349,554	-	7,886,235
Depreciable (net of accumulated depreciation)	33,825,668	6,088,964	1,236,016	184,988	41,335,636
Total noncurrent assets	36,917,683	10,533,630	1,585,570	184,988	49,221,871
Total assets	107,559,871	10,787,224	1,643,671	6,960,056	126,950,822
Deferred Outflows of Resources					
Deferred charges on refunding	110,511	-	-	-	110,511
Deferred outflows of resources - Pension	453,404	61,090	-	-	514,494
Deferred outflows of resources - OPEB	12,607	1,799	-	-	14,406
Total deferred outflows of resources	576,522	62,889	-	-	639,411
Liabilities					
Current liabilities					
Accounts payable	$ 3,502,604	$ 128,437	$ 113,413	$ 218,667	$ 3,963,121
Accrued liabilities	271,936	6,601	101,664	90,051	470,252
Accrued interest	8,370	516	-	-	8,886
Deposits	1,355,430	-	-	-	1,355,430
Due to					
Other funds	-	749,859	1,349,108	-	2,098,967
Component units	-	597,238	-	-	597,238
General obligation bonds	580,000	-	-	-	580,000
Compensated absences	6,840	905	-	-	7,745
Total current liabilities	5,725,180	1,483,556	1,564,185	308,718	9,081,639
Noncurrent liabilities					
General obligation bonds	2,776,617	-	-	-	2,776,617
Compensated absences	61,333	8,151	-	872	70,356
Net pension liability	1,343,622	183,376	-	-	1,526,998
Total OPEB liability	106,155	15,165	-	-	121,320
Total noncurrent liabilities	4,287,727	206,692	-	872	4,495,291
Total liabilities	10,012,907	1,690,248	1,564,185	309,590	13,576,930
Deferred Inflows of Resources					
Deferred inflows of resources - Pension	98,385	13,395	-	-	111,780
Deferred inflows of resources - OPEB	70,716	10,103	-	-	80,819
Total deferred inflows of resources	169,101	23,498	-	-	192,599
Net Position					
Net investment in capital assets	33,671,577	10,533,630	1,585,570	184,988	45,975,765
Unrestricted	64,282,808	(1,397,263)	(1,506,084)	6,465,478	67,844,939
Total net position	$ 97,954,385	$ 9,136,367	$ 79,486	$ 6,650,466	$ 113,820,704

City of Lancaster, Texas
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended September 30, 2025

	Water and Sewer Fund	Airport Fund	Golf Fund	Non-major Enterprise Funds	Total
Operating Revenues					
Charges for services	$ 30,421,348	$ 874,032	$ 1,468,834	$ 2,987,686	$ 35,751,900
Intergovernmental	-	127,630	-	-	127,630
Other revenue	2,361,303	41,398	56,358	-	2,459,059
Impact fee revenue	187,835	-	-	-	187,835
Total operating revenues	32,970,486	1,043,060	1,525,192	2,987,686	38,526,424
Operating Expenses					
Personnel services and benefits	2,562,383	328,036	-	-	2,890,419
Maintenance	776,009	39,833	78,401	-	894,243
Purchase of water	6,429,041	-	-	-	6,429,041
Materials and supplies	97,822	405,997	52,982	-	556,801
Heat, light and power	296,546	94,335	49,505	-	440,386
Sewage treatment	8,430,790	-	-	-	8,430,790
Special services	3,008,199	19,025	1,181,480	2,592,626	6,801,330
Equipment rental	33,351	15,972	27,157	-	76,480
Depreciation	1,706,113	142,066	44,705	5,636	1,898,520
Other	-	-	-	64,965	64,965
Total operating expenses	23,340,254	1,045,264	1,434,230	2,663,227	28,482,975
Operating Income (Loss)	9,630,232	(2,204)	90,962	324,459	10,043,449
Nonoperating Revenues (Expenses)					
Interest revenue	2,382,561	-	-	198,287	2,580,848
Interest and fiscal charges	(63,238)	-	-	-	(63,238)
Total nonoperating revenues (expenses)	2,319,323	-	-	198,287	2,517,610
Income (Loss) Before Transfers	11,949,555	(2,204)	90,962	522,746	12,561,059
Transfers out	(1,195,417)	-	(145,898)	(198,950)	(1,540,265)
Change in Net Position	10,754,138	(2,204)	(54,936)	323,796	11,020,794
Net Position, Beginning of Year	87,200,247	9,138,571	134,422	6,326,670	102,799,910
Net Position, End of Year	$ 97,954,385	$ 9,136,367	$ 79,486	$ 6,650,466	$ 113,820,704

City of Lancaster, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2025

	Water and Sewer Fund	Airport Fund	Golf Fund	Non-major Enterprise Funds	Total
Operating Activities					
Receipts from customers and users	$ 32,836,773	$ 1,062,346	$ 1,564,564	$ 2,976,935	$ 38,440,618
Utility deposits distributed	16,318	-	-	-	16,318
Payments to employees	(2,468,670)	(323,852)	-	-	(2,792,522)
Payments to suppliers	(16,858,251)	(575,075)	(1,357,658)	(3,042,762)	(21,833,746)
Net cash provided by (used in) operating activities	13,526,170	163,419	206,906	(65,827)	13,830,668
Noncapital and Related Financing Activities					
Transfers out	(1,869,453)	-	(150,381)	(198,950)	(2,218,784)
Payment to Component Unit	-	(18,750)	-	-	(18,750)
Net cash used in noncapital financing activities	(1,869,453)	(18,750)	(150,381)	(198,950)	(2,237,534)
Capital and Related Financing Activities					
Acquisition and construction of capital assets	(3,230,976)	-	-	-	(3,230,976)
Principal payments on debt	(570,000)	-	-	-	(570,000)
Interest payments on debt	(56,984)	-	-	-	(56,984)
Net cash used in capital and financing activities	(3,857,960)	-	-	-	(3,857,960)
Investing Activities					
Interest on investments	2,382,561	-	-	198,287	2,580,848
Net cash provided by investing activities	2,382,561	-	-	198,287	2,580,848
Increase (Decrease) in Cash and Cash Equivalents	10,181,318	144,669	56,525	(66,490)	10,316,022
Cash and Cash Equivalents, Beginning of Year	56,908,279	32,491	500	6,419,828	63,361,098
Cash and Cash Equivalents, End of Year	$ 67,089,597	$ 177,160	$ 57,025	$ 6,353,338	$ 73,677,120
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating income (loss)	$ 9,630,232	$ (2,204)	$ 90,962	$ 324,459	$ 10,043,449
Item not requiring cash					
Depreciation	1,706,113	142,066	44,705	5,636	1,898,520
Changes in					
Accounts receivable	(133,711)	19,286	3,719	(10,751)	(121,457)
Inventories	-	1,454	-	-	1,454
Deferred outflows of resources	81,552	11,097	-	-	92,649
Accounts payable	2,195,191	22,321	35,651	(398,618)	1,854,545
Accrued expenses	34,632	(23,688)	31,869	13,447	56,260
Net pension liability	(26,763)	(3,638)	-	-	(30,401)
Total OPEB Liability	(16,528)	(2,361)	-	-	(18,889)
Deferred inflows of resources	75,205	10,314	-	-	85,519
Compensated absences	(19,753)	(11,228)	-	-	(30,981)
Net cash provided by (used in) operating activities	$ 13,526,170	$ 163,419	$ 206,906	$ (65,827)	$ 13,830,668

Note 1. Summary of Significant Accounting Policies

The accounting and reporting policies of the City of Lancaster (City) conform to the generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies.

Reporting Entity

The City was incorporated in 1853. The City operates as a home-rule city, under a Council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, water and sewer utilities, sanitation, health and social services, parks and recreation, public improvements, airport, golf course, planning and zoning and general administrative services.

The City's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 14, *The Financial Reporting Entity* (GASB 14), as amended by GASB Statement No.39, *Determining Whether Certain Organizations Are Component Units* and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*. GASB 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either: (1) the primary government must be able to impose its will or (2) the primary government may potentially benefit financially or be financially responsible for the component unit.

The Lancaster Economic Development Corporation (Economic) and the *Lancaster Recreational Development Corporation* (Recreational) are nonprofit industrial development corporations formed in July and October 1995, respectively, under the *Development Corporation Act of 1979*. Both Economic and Recreational are organized exclusively for the purposes of benefiting and accomplishing public purposes and to act on behalf of the City. This includes the construction and renovation of municipal buildings, the acquisition, improvement, and operation of parks as well as other economic development purposes. The affairs of these corporations are managed by two separate Boards of Directors, which are appointed by the City Council. The City Council approves annual budgets and issuances of debt. Economic and Recreational have been discretely presented in the accompanying financial statements. Separate stand-alone financial statements of the individual component units are not available.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. However, interfund services provided and used are not eliminated in the consolidation process. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents information on all the City's assets, deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program of City government. *Program revenues* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items properly not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for Governmental Funds and Proprietary Funds. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of Governmental Funds is on the sources, uses and balances of current financial resources. The City has presented the following major Governmental Funds:

General Fund – The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Capital Projects Fund – The Capital Projects Fund is utilized to account for financial resources to be used for the acquisition or construction of major capital facilities.

General Obligation Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources and for the payment of general long-term debt principal, interest, and related costs, as well as the payment of lease/purchase items. The revenue source is principally ad-valorem taxes levied by the City and transfers in for the payment of lease/purchases.

ARPA Fund – The ARPA Fund is utilized to account for financial resources and related expenditures from the *America Rescue Plan Act of 2021*.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets, deferred outflows, and inflows of resources and liabilities are included on the Statement of Net Position. The City has presented the following major Proprietary Funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the acquisition, operation, and maintenance of a municipal water and sewer utility, supported primarily by user charges to the public.

Airport Fund – The Airport Fund is used to account for the operation of the City's regional airport.

Golf Course Fund – The Golf Fund is used to account for the operation of the City's golf course.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for the Proprietary Funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Classification of Fund Balance

Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned in governmental funds. Nonspendable fund balance cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors, or other governments or by enabling legislation of the City Council.

Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution, which are equally binding and represent the highest-level actions of the City Council. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City management based on the City Council's direction.

Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unassigned fund balances are available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly, unassigned amounts when expenditures are incurred for the purpose for which amounts in any of those fund balance classifications could be used.

The propriety funds and government-wide financial statements have three classifications of equity: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. In the first category, capital assets are netted with related bonded, lease and subscription debt and obligations. Restricted net position includes debt service, grantor, and other government restrictions for proprietary funds and the same categories as restricted fund balance for governmental activities. The City designates restricted net position to be spent first if both restricted and unrestricted balances are available.

The City has established a policy to maintain a reserve account of 18% of budgeted expenditures. As of September 30, 2025, the City was in compliance with this policy as unassigned fund balance in the General Fund was equal to 18% of budgeted expenditures.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and proprietary funds financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus. Revenues are recognized as soon as they are both measurable and available.

Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, fines and forfeits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Licenses and permits, charges for services (except for sanitation services) and rents and concessions are recorded as revenues when received in cash because they are generally not measurable until actually received. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the City considers cash and cash equivalents to be cash and external investment pools.

Investments

Investments in external investment pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end. In instances where pools transact at amortized cost, no readily determinable fair value is deemed available.

Allowance for Uncollectible Accounts

An allowance for uncollectible taxes including penalties and interest, and water and sewer billed receivables is provided based on an analysis of historical trends. The allowances at September 30, 2025, were $826,817 for uncollectible taxes, $5,447,479 for water, sewer, and stormwater billings, $110,828 for court fees and fines and $1,447,026 for ambulance fees.

Inventory

Inventories, which are recognized as expenditures as they are consumed, are stated at cost (first-in, first-out). Inventories consist of expendable supplies.

Prepaid Items

Prepaid balances, which are recognized as expenditures as they are consumed, are for payments made by the City in the current year for services occurring in the subsequent year.

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are recorded as transfers.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for Proprietary Funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

All items purchased with a price of $5,000 or greater and a useful life exceeding one year is placed on the capital asset list. Each department is required to monitor their inventory and is accountable for the location of the asset. Asset tags are issued after payment has been processed. The Purchasing Agent conducts a yearly inventory to verify the inventory.

Assets capitalized have a useful life of over one year. Depreciation is recorded on each class of depreciable property utilizing the straight-line method over the estimated useful lives of the assets. Estimated useful lives of major categories of property are:

Plants and buildings	40 years
Improvements	5 – 50 years
Machinery and equipment	5 – 10 years

Subscription Assets

Subscription assets are initially recorded at the initial measurement of the subscription liability, plus subscription payments made at or before the commencement of the subscription-based information technology arrangement (SBITA) term, less any SBITA vendor incentives received from the SBITA vendor at or before the commencement of the SBITA term, plus capitalizable initial implementation costs. Subscription assets are amortized on a straight-line basis over the shorter of the SBITA term or the useful life of the underlying IT asset.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred loss on refunding – A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Employer Contributions – Pensions and OPEB – These contributions are those made after the measurement date through the fiscal year end (January 1st – September 30th) resulting in a cash outlay not yet recognized in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB 68) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). This amount is deferred and recognized in the following fiscal year.
- Experience difference – Pensions and OPEB – These amounts represent the difference in expected and actual pension and OPEB experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Assumption changes – OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying total OPEB liability. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.

In addition to liabilities, the statement of net position or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until then.

The City has the following items that qualify for reporting in this category.

- Unavailable revenue – This amount represents uncollected property taxes, municipal court fees, ambulance fees, and notes receivables. This amount is deferred and recognized once payments are made in the follow fiscal year. This item is only presented in the Balance Sheet – Governmental Funds.
- Experience difference – OPEB –These amounts represent the difference in expected and actual OPEB experience. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Assumption changes – Pensions and OPEB – These amounts represent the difference resulting from a change in assumptions used to measure the underlying total OPEB liability. These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the beginning of the measurement period.
- Investment difference – Pensions – These amounts represent the difference in projected and actual earnings on pension plan assets. These differences are deferred and amortized over a closed five-year period.

Subscription Liability

The City contracts for noncancellable subscriptions of information technology software. The City recognizes a subscription liability and an intangible subscription asset (subscription asset) in the government-wide financial statements. The City recognizes subscription assets with an initial, individual value of $5,000 or more. At the commencement of a subscription, the City measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Compensated Absences

Vacation time are accrued as liabilities as employees earn the benefits to the extent that they meet all of the following criteria: 1) the City's obligation is attributable to employees' services already rendered; 2) the leave accumulates; and 3) it is more likely than not that the City will compensate the employees for the benefits through vacation or some other means, such as cash payments.

For the government-wide financial statements, as well as the enterprise fund financial statements, outstanding compensated absences are recorded as a liability based on the LIFO method.

Defined Benefit Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB 68.

Fund allocation of related balances is determined by individual employee assignment. This assignment is uniform with regard to liquidation of the liability.

Defined Benefit Other Postemployment Benefit Plans

The City has two single-employer defined benefit other postemployment benefit (OPEB) plans. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Allocation of OPEB related balances to reporting units is determined on the basis of employee payroll funding. The total OPEB liability is generally liquidated in the General Fund.

Unearned Revenue

Governmental funds report a liability, unearned revenue, in connection with resources that have been received, but not yet earned.

Adoption of New Accounting Standards

The City has adopted and implemented the following statements during fiscal year ended September 30, 2025.

GASB Statement No. 101, *Compensated Absences*, supersedes Statement 16, Accounting for Compensated Absences, issued in 1992. This standard updates the recognition and measurement guidance for compensated absences by aligning the guidance under a unified model. This will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation and can be applied consistently to any type of leave. The City has implemented this Statement in fiscal year 2025, which had no impact on beginning of year net position

GASB Statement No. 102, *Certain Risk Disclosures*, supersedes the Statement by the National Council of Governmental Accounting (NCGA) Interpretation 6, Notes to the Financial Statements Disclosure, paragraph 5. This Standard establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. For concentrations and constraints meeting the definitions in the Standard, governments will disclose the concentrations or constraints, related events that could have a substantial impact, and action taken to mitigate the risk. The City has implemented this Statement in fiscal year 2025, which had no impact on beginning of year net position.

New Pronouncements

The GASB has issued the following potentially significant statements which the City has not yet adopted, and which require adoption subsequent to September 30, 2025. The City will evaluate the potential impact on the City's net position.

Statement No.	Title	Adoption Required
103	*Financial Reporting Model Improvements*	September 30, 2026
104	*Disclosure of Certain Capital Assets*	September 30, 2026
105	*Subsequent Events*	September 30, 2027

Note 2. Deposits and Investments

The deposit and investment policies of the City are governed by State Statutes and the adopted City Investment Policy. City policies governing bank deposits require depositories to be FDIC-insured institutions, and depositories must fully collateralize all deposits in excess of FDIC insurance limits.

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agency securities, repurchase agreements, and municipal pools.

The City utilizes a pooled investment concept for all its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

During the year ended September 30, 2025, the City invested in Texas CLASS, TexPool, and LOGIC, which are investment pools authorized by the Texas Legislature.

Texas Cooperative Liquid Assets Securities System (Texas CLASS) was created specifically for the use of Texas local government entities and seeks to provide safety, liquidity, convenience, and competitive rates of return. Public Trust Advisors, LLC serves as the pool's administrator and investment adviser. The marketing and operation functions of the portfolio are also performed by Public Trust Advisors, LLC. The pool is subject to the general supervision of the Board of Trustees and its Advisory Board, both of which are elected by the Texas CLASS Participants.

Wells Fargo Bank, N.A. serves as custodian for the pool. The investment objective and strategy of the pool is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The pool offers same day access to investment funds.

Texas CLASS attempts to minimize its exposure to market and credit risk through the use of various strategies and credit monitoring techniques. Texas CLASS limits its investments in any issuer to the top two ratings issued by nationally recognized statistical rating organizations. Texas CLASS is rated AAAm by Standard & Poor's.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed both of participants in TexPool and of other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAm by Standard & Poor's. TexPool is not registered with the Securities and Exchange Commission (SEC) as an investment company.

LOGIC was established pursuant to an Interlocal Agreement, which was subsequently amended and is now entitled Participation Agreement and Trust Instrument (Agreement) between participating Government Entities. Participation in the Pool is limited to those eligible Government Entities which have become parties to the Agreement (Participants). Participants' assets in the Pool are represented by units of beneficial interest (Units), which are issued in discrete series (each a "Portfolio"), as authorized from time to time by the Board. Assets invested in any Portfolio will be managed separately, and segregated from, the assets of every other Portfolio. Since September 2005, J.P. Morgan Investment Management Inc. (JPMIM) has served as investment adviser to LOGIC. FirstSouthwest, a Division of Hilltop Securities (FirstSouthwest) and JPMIM serve as co-administrators to LOGIC, and FirstSouthwest provides administrative, participant support and marketing services.

JPMorgan Chase Bank N.A. provides custodial services. The investment objective and strategy of the pool is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The pool offers same day access to investment funds. LOGIC is rated AAAm by Standard & Poor's.

TexPool is carried at amortized cost. Texas CLASS and LOGIC are carried at net asset value. Accordingly, the fair value of the position in the pools is the same as the value of the pools shares.

As of September 30, 2025, the City had cash and cash equivalents as classified below:

Primary Government	
Cash	$ 11,324,738
Cash equivalents	198,614,983
	209,939,721
Component Units	
Cash	21,273
Cash equivalents	23,344,289
	23,365,562
Total cash and cash equivalents	$ 233,305,283

As of September 30, 2025, the City held the following investments:

	Carrying Value	Weighted-Average Maturity (Days)
Primary Government		
TexPool	$ 19,467,167	36
LOGIC	126,357,806	48
Texas CLASS	52,109,510	30
Total primary government	197,934,483	
Component Units		
TexPool	2,362,826	36
LOGIC	15,336,673	48
Texas CLASS	6,324,790	30
Total component units	24,024,289	
Total investments	$ 221,958,772	

Interest Rate Risk

The strategy of the City is to maintain sufficient liquidity in its portfolio and structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

Custodial Credit Risk

Custodial credit risk is the risk that a government will not be able to recover: (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires

collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases and contracts with a third-party safekeeping agent.

Credit Risk

It is the City's policy to follow statutes, which authorize the City to invest in obligations of the U.S. Treasury agencies and instrumentalities, obligations of the state of Texas and related agencies, obligations of states, agencies, counties, cities, and other political subdivisions of any state rated "A" or above by Standard & Poor's Corporation or Moody's, repurchase agreements and designated investment pools. The City's assets in investment pools meet this requirement as noted above.

Note 3. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient or amortized cost have not been classified in the fair value hierarchy. The fair value amounts included below approximate net asset value for all related external investment pool balances.

The following table presents assets recognized in the accompanying financial statements measured at net asset value or amortized cost at September 30, 2025:

Investments Measured at Net Asset Value		
LOGIC	$	141,694,479
Texas CLASS		58,434,300
Subtotal		200,128,779
Investments Measured at Amortized Cost		
TexPool		21,829,993
Total investments	$	221,958,772

Note 4. Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1, and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1, of the following year. Tax collections for the year ended September 30, 2025, were 97.51% of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days is recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources in governmental funds. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable, and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad-valorem tax rate to $2.50 per $100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of $2.50 per $100 assessed valuation. For the year ended September 30, 2025, the City had a tax rate of $.6046 per $100.00 assessed valuation, of which $.4497 was allocated for general government and $.1549 was allocated for the payment of principal and interest on general obligation debt.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the tax rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year. This legislation provides that, if approved by the qualified voters in the City, both the appraisal and collection functions may be placed with the appraisal district. In addition, the City may obtain approval from its governing body to place these functions with the appraisal district.

Note 5. Interfund Receivables, Payables, and Transfers

Due To/Due From

Due to and due from other funds are the short-term portion of the advances to and advances from other funds. For the year ended September 30, 2025, due to and due from transactions, excluding discretely presented component units were as follows:

	Due to Other Funds	Due from Other Funds
General Fund	$ -	$ 2,080,499
Capital Projects Fund	-	18,468
Golf Fund	1,349,108	-
Airport Fund	749,859	-
Total due to/due from	$ 2,098,967	$ 2,098,967

Interfund Transfers

For the year ended September 30, 2025, interfund transactions, excluding discretely presented component units were as follows:

	Transfers In	Transfers Out
General Fund	$ 1,625,284	$ -
Non-major Governmental Funds	-	85,019
Water and Sewer Fund	-	1,195,417
Golf Fund	-	145,898
Non-major Enterprise Funds	-	198,950
Total interfund transfers	$ 1,625,284	$ 1,625,284

The interfund transfers to the General Fund from the Water and Sewer Fund, Golf Fund, Non-major Governmental, and Non-major Enterprise Funds represent those revenues that are transferred from one fund to another to recover administrative costs of the General Fund. This is sometimes referred to as indirect costs or overhead and are made to recognize and account for the fact that one fund incurs untraceable costs directly associated with another fund. The transfer ensures that each fund pays its fair share of the costs to operate that fund. A transfer is the preferred method to cover these costs and those associated with operating these funds.

Note 6. Lease Receivable

GASB No. 87 Excluded Leases – Regulated

In accordance with GASB No. 87, the City does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g., the Federal Aviation Administration, between airports and aeronautical users. Regulated leases include hanger buildings, space in the terminal building, as well as various land leases used for aeronautical purposes. The City recognized $6,084 in lease revenue and $382 in lease interest during the current fiscal year related to these leases.

Future minimum lease payments for regulated leases are as follows:

Fiscal Year	Principal
2026	$ 5,857
2027	5,857
2028	5,857
2029	5,857
2030	772
2031-2035	3,860
2036-2040	3,260
2041-2042	344
Total	$ 31,664

Note 7. Capital and Subscription Assets

Governmental Activities

Capital and subscription assets of the Governmental Activities are as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	$ 14,069,995	$ -	$ -	$ -	$ 14,069,995
Construction in progress	669,016	225,700	-	-	894,716
Total capital assets not being depreciated	14,739,011	225,700	-	-	14,964,711
Capital and subscription assets being depreciated					
Buildings	37,482,501	1,765,704	-	-	39,248,205
Infrastructure, improvements, equipment, and furniture	160,536,972	11,582,282	-	-	172,119,254
Subscription asset	781,420	-	-	-	781,420
Total capital assets being depreciated/amortized	198,800,893	13,347,986	-	-	212,148,879
Less accumulated depreciation/amortization for:					
Buildings	13,858,983	898,145	-	-	14,757,128
Infrastructure, improvements, equipment, and furniture	87,933,607	4,133,260	-	-	92,066,867
Subscription asset	580,008	201,412	-	-	781,420
Total accumulated depreciation/amortization	102,372,598	5,232,817	-	-	107,605,415
Total capital assets being depreciated/amortized, net	96,428,295	8,115,169	-	-	104,543,464
Governmental activities capital assets, net	$ 111,167,306	$ 8,340,869	$ -	$ -	$ 119,508,175

Depreciation/amortization expense was charged as a direct expense to programs of the primary government as follows:

General and administrative	$ 747,221
Public safety	3,712,780
Public works	466,612
Community development and recreation	306,204
Total depreciation/amortization expense – governmental activities	$ 5,232,817

Business-type Activities

Capital assets of the Business-type Activities are as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type Activities					
Capital assets not being depreciated					
Land	$ 7,633,631	$ -	$ -	$ -	$ 7,633,631
Construction in progress	-	252,604	-	-	252,604
Total capital assets not being depreciated	7,633,631	252,604	-	-	7,886,235
Capital assets being depreciated					
Plants and buildings	4,399,312	23,649	-	-	4,422,961
Other improvements	85,123,746	2,544,206	-	-	87,667,952
Vehicles	1,178,142	138,681	-	-	1,316,823
Machinery and equipment	4,499,117	271,836	-	-	4,770,953
Total capital assets being depreciated	95,200,317	2,978,372	-	-	98,178,689
Less accumulated depreciation for:					
Plants and buildings	2,559,889	39,538	-	-	2,599,427
Other improvements	47,924,190	1,675,430	-	-	49,599,620
Vehicles	378,553	109,928	-	-	488,481
Machinery and equipment	4,081,901	73,624	-	-	4,155,525
Total accumulated depreciation	54,944,533	1,898,520	-	-	56,843,053
Total capital assets being depreciated, net	40,255,784	1,079,852	-	-	41,335,636
Business-type activities capital assets, net	$ 47,889,415	$ 1,332,456	$ -	$ -	$ 49,221,871

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

Water and Sewer	$ 1,706,113
Airport	142,066
Golf	44,705
Non-major	5,636
Total depreciation expense – business-type activities	$ 1,898,520

Discretely Presented Component Units

Capital assets of the Lancaster Economic Development Corporation are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Lancaster Economic Development Corporation				
Capital assets not being depreciated				
Land	$ 100,378	$ -	$ -	$ 100,378
Capital assets being depreciated				
Buildings	299,212	365,455	-	664,667
Other improvements	-	696,973	-	696,973
Total capital assets being depreciated	299,212	1,062,428	-	1,361,640
Less accumulated depreciation for:				
Buildings	14,960	7,914	-	22,874
Other improvements	-	5,545	-	5,545
Total accumulated depreciation	14,960	13,459	-	28,419
Total capital assets being depreciated, net	284,252	1,048,969	-	1,333,221
Lancaster Economic Development Corporation capital assets, net	$ 384,630	$ 1,048,969	$ -	$ 1,433,599

Capital assets of the Lancaster Recreational Development Corporation are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Lancaster Recreational Development Corporation				
Capital assets not being depreciated				
Land	$ 989,118	$ -	$ -	$ 989,118
Total capital assets not being depreciated	989,118	-	-	989,118
Capital assets being depreciated				
Buildings	15,797,360	-	-	15,797,360
Other improvements	3,965,809	-	-	3,965,809
Machinery and equipment	2,350,610	-	-	2,350,610
Total capital assets being depreciated	22,113,779	-	-	22,113,779
Less accumulated depreciation for:				
Buildings	9,788,869	394,934	-	10,183,803
Other improvements	4,107,565	-	-	4,107,565
Machinery and equipment	1,241,724	112,412	-	1,354,136
Total accumulated depreciation	15,138,158	507,346	-	15,645,504
Total capital assets being depreciated, net	6,975,621	(507,346)	-	6,468,275
Lancaster Recreational Development Corporation capital assets, net	$ 7,964,739	$ (507,346)	$ -	$ 7,457,393

Note 8. Long-term Liabilities and Subscription Liabilities

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental Activities					
General obligation bonds	$ 46,510,017	$ -	$ (3,210,000)	$ 43,300,017	$ 3,330,000
Certificates of obligation	32,775,000	15,740,000	(2,945,000)	45,570,000	1,570,000
Tax notes	-	4,782,401	-	4,782,401	4,782,401
Premium on bond debt	5,316,200	1,511,807	(497,274)	6,330,733	-
Compensated absences*	4,383,907	-	(152,845)	4,231,062	423,106
Subscription liability	86,276	-	(78,326)	7,950	7,950
Financed purchases	951,207	-	(335,493)	615,714	243,858
Total governmental activities	$ 90,022,607	$ 22,034,208	$ (7,218,938)	$ 104,837,877	$ 10,357,315
Business-type Activities					
General obligation bonds	$ 3,889,983	$ -	$ (570,000)	$ 3,319,983	$ 580,000
Premiums on bond debt	47,111	-	(10,477)	36,634	-
Compensated absences*	109,082	-	(31,635)	77,447	7,745
Total business-type activities	$ 4,046,176	$ -	$ (612,112)	$ 3,434,064	$ 587,745
Discretely Presented Component Units					
Notes payable to primary government	$ 1,385,000	$ -	$ (870,000)	$ 515,000	$ 200,000
Total discretely presented component units	$ 1,385,000	$ -	$ (870,000)	$ 515,000	$ 200,000

*The change in the accrued compensated absences balance is presented as a net amount, in accordance with GASB 101.

General long-term debt consists of the following: subscription liabilities; financed purchases; liabilities for accrued vacation leave; general obligation bonds and certificates of obligation along with associated premiums, which are direct obligations; issued on the full faith and credit of the City. Principal and interest payments on the general obligation bonds and certificates of obligation are secured by ad-valorem taxes levied on all taxable property within the City, and surplus revenues of the Water and Sewer Fund and Airport Fund. A portion of the general obligation bonds has been issued on behalf of the Water and Sewer Fund. Although these bonds are secured by the full faith and credit of the City and have no specific claim against Water and Sewer Fund assets, debt service requirements are provided by the Water and Sewer Fund. Accordingly, this debt is reflected as an obligation of the Water and Sewer Fund.

For the governmental activities, compensated absences, net pension liabilities, and total OPEB liabilities are generally liquidated in the General Fund.

In September 2024, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2024 in the amount of $15,740,000 for the purpose of: (i) construction of a fire station; (ii) purchase of land for a fire station; (iii) repair and improvement of the public safety administrative building and fire stations throughout the City; (iv) design and construction of roadway improvements to various streets and roads throughout the City; and (v) professional services rendered in connection with the above listed projects. Interest will be payable semiannually

on February 15 and August 15 of each year, commencing February, 15 2025. The bonds were issued with a premium of $1,511,808 and an interest rate of 4.0 - 5.0%.

The City has a Series 2025 Tax Note with JP Morgan Chase for $4,782,401. The loan is due in 2026, plus interest of 4.06%.

General obligation bonds, certificates of obligation, notes payable and financed purchases outstanding at September 30, 2025, consist of the following:

	Governmental Activities	Water and Sewer	Total Primary Government
General Obligation Bonds			
$22,530,000, 2015 General Obligation Refunding Bonds, due in annual installments through February 15, 2035; 2.00% – 3.75%	$ 14,510,017	$ 429,983	$ 14,940,000
$6,575,000, 2016 General Obligation Refunding Bonds, due in annual installments through February 15, 2032; 2.00% – 4.00%	1,980,000	55,000	2,035,000
$9,050,000, 2018 General Obligation Bonds, due in annual installments through February 15, 2038; 3.00% - 3.50%	6,820,000	-	6,820,000
$24,530,000 2020 General Obligation Refunding Bonds, due in annual installments through February 15, 2040; 3.00% - 4.00%	19,990,000	-	19,990,000
$7,315,000 2021 General Obligation Refunding Bonds, due in annual installments through August 15, 2031; 1.17%	-	2,835,000	2,835,000
Total general obligation bonds	$ 43,300,017	$ 3,319,983	$ 46,620,000

	Governmental Activities	Water and Sewer	Total Primary Government
Certificates of Obligation			
$4,080,000, 2015 Certificate of Obligation Bonds, due in annual installments through February 15, 2035; 2.00% – 3.75%	$ 3,170,000	$ -	$ 3,170,000
$29,415,000, 2023 Certificate of Obligation Bonds, due in annual installments through February 15, 2044; 4.5% – 5%	28,535,000	-	28,535,000
$15,740,000, 2024 Certificate of Obligation Bonds, due in annual installments through February 15, 2044; 4.5% – 5%	13,865,000	-	13,865,000
Total certificates of obligation	$ 45,570,000	$ -	$ 45,570,000

	Governmental Activities	Total Primary Government	Discretely Presented Component Units
Note Payable - Direct Borrowings			
$4,782,401 note payable, due in annual installments through February 15, 2026; 4.24%	4,782,401	4,782,401	-
Total notes payable	$ 4,782,401	$ 4,782,401	$ -
Financed Purchases			
$1,250,000 Lease Purchase Agreement due in monthly installments through October 2, 2027; 2.08%	$ 615,714	$ 615,714	$ -
Total financed purchases	$ 615,714	$ 615,714	$ -

Financed purchases represent the remaining principal amounts payable under lease purchase agreements for the acquisition of equipment through the General Fund. The financed purchase agreements are collateralized by the related financed equipment.

As of September 30, 2025, property and equipment under financed purchase agreements is carried at $2,262,510, with $1,371,814 in estimated accumulated depreciation, included in capital assets. Amortization of these assets is included with depreciation expense.

The annual requirements to amortize the long-term debt as of September 30, 2025, are as follows:

	General Obligation Bonds					
Fiscal	Governmental Activities			Business-type Activities		
Year	Principal	Interest	Total	Principal	Interest	Total
2026	$ 3,330,000	1,648,950	$ 4,978,950	580,000	43,745	$ 623,745
2027	3,470,000	1,505,325	4,975,325	605,000	31,622	636,622
2028	3,365,000	1,354,025	4,719,025	465,000	22,698	487,698
2029	3,500,000	1,227,200	4,727,200	480,000	17,258	497,258
2030	3,625,000	1,094,925	4,719,925	490,000	11,642	501,642
2031-2035	16,330,000	3,412,625	19,742,625	505,000	5,909	510,909
2036-2040	9,680,017	926,875	10,606,892	194,983	-	194,983
Total	$ 43,300,017	$ 11,169,925	$ 54,469,942	$ 3,319,983	$ 132,874	$ 3,452,857

	Certificates of Obligation			Tax Notes		
Fiscal	Governmental Activities			Governmental Activities		
Year	Principal	Interest	Total	Principal	Interest	Total
2026	$ 1,570,000	1,486,955	$ 3,056,955	$ 4,782,401	202,774	$ 4,985,175
2027	1,645,000	1,433,530	3,078,530	-	-	-
2028	1,725,000	1,377,327	3,102,327	-	-	-
2029	1,805,000	1,318,159	3,123,159	-	-	-
2030	1,895,000	1,255,719	3,150,719	-	-	-
2031-2035	11,925,000	5,171,841	17,096,841	-	-	-
2036-2040	12,540,000	3,399,334	15,939,334	-	-	-
2041-2045	12,465,000	1,968,888	14,433,888	-	-	-
Total	$ 45,570,000	$ 17,411,753	$ 62,981,753	$ 4,782,401	$ 202,774	$ 4,985,175

	Note Payable – Direct Borrowing		
Fiscal	Discretely Presented Component Units		
Year	Principal	Interest	Total
2026	$ 400,000	$ 24,100	$ 424,100
2027	115,000	14,900	129,900
Total	$ 515,000	$ 39,000	$ 554,000

	Financed Purchases		
Fiscal	Governmental Activities		
Year	Principal	Interest	Total
2026	$ 243,856	$ 2,168	$ 246,024
2027	247,086	2,168	249,254
2028	124,772	823	125,595
Total	$ 615,714	$ 5,159	$ 620,873

Subscription Liability

The City has obtained the right to use various server software subscriptions under the provision of various subscription-based information technology arrangements. The measurement of the subscription liabilities is based on the present value of subscription payments expected to be paid during the subscription term, such as fixed payments, variable payments that depend on an index or rate, variable payments that are fixed in substance, residual value guarantee payments that are fixed in substance, and any subscription incentives payable.

Incremental borrowing rates of 3.50% to 5.0% were used to measure the subscription liabilities.

The following schedule details minimum subscription payments to maturity for the City's subscription liability at September 30, 2025:

	Subscription Liability		
Fiscal	Governmental Activites		
Year	Principal	Interest	Total
2026	$ 7,950	$ 263	$ 8,213
Total	$ 7,950	$ 263	$ 8,213

Note 9. Employee Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within options available in the governing state statutes of TMRS. Lancaster Economic Development Corporation and Lancaster Recreational Development Corporation contribute to the plan with a cost share of 0.90% and 4.51%, respectively. There were no significant changes in the component unit's proportion to the plan during fiscal year 2025.

TMRS issues a publicly available comprehensive financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to Texas Municipal Retirement System, P.O. Box 149153, Austin, Texas, 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Deposit rate	7.00%
Matching ratio (City to employee)	2 – 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	50% of CPI Repeating

At the December 31, 2024, valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	254
Inactive employees entitled to but not yet receiving benefits	306
Active employees	282
Total employees	842

Contributions

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the entry age normal actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City's contributions to TMRS for the year ended September 30, 2025, were $4,101,904 and were equal to the required contributions.

The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (*i.e.*, December 31, 2024, valuation is effective for the rates beginning January 1, 2026).

Net Pension Liability

Actuarial Assumptions

The total pension liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with 110% of the Public Safety table used for males and 100% of the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates for actives, healthy retirees, and beneficiaries are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set forward for males and a 3-year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by the most recent Scale MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate ranges of expected returns for each major asset class. The long-term expected rate of return is determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. The target allocation and best estimates of the expected return for each major class in fiscal year 2025 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	35%	7.1%
Core Fixed Income	6%	5.0%
Non-Core Fixed Income	6%	6.8%
Other Public and Private Markets	4%	7.3%
Real Estate	12%	6.7%
Hedge Funds	5%	6.4%
Private Equity	13%	8.5%
Private Debt	13%	8.2%
Infrastructure	6%	6.0%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Total Pension Liability (a)	Net Position (b)	Liability (a) - (b)
Balances as of October 1, 2024	116,465,257	98,590,926	$ 17,874,331
Changes for the year			
Service cost	4,125,899	-	4,125,899
Interest on total pension liability	7,840,390	-	7,840,390
Effect of plan changes	-	-	-
Effect of economic/ demographic gains or losses	-	-	-
Effect of difference in expected and actual experience	3,223,793	-	3,223,793
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	(4,748,557)	(4,748,557)	-
Administrative expenses	-	(65,699)	65,699
Member contributions	-	1,771,859	(1,771,859)
Net investment income	-	10,238,671	(10,238,671)
Employer contributions	-	3,606,995	(3,606,995)
Other	-	(1,537)	1,537
Balances as of September 30, 2025	126,906,782	109,392,658	17,514,124

Proportionate share and net pension liability reported in:		
Primary Government	94.59%	$ 16,570,375
Lancaster Economic Development Corporation	0.90%	162,731
Lancaster Recreational Development Corporation	4.51%	781,018
Total	100.00%	$ 17,514,124

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, by primary government and discretely presented component units, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75)%	Current Single Rate Assumption (6.75)%	1% Increase (7.75)%
Primary government	$ 34,669,777	$ 16,570,375	$ 1,886,050
Lancaster Economic Development Corporation	329,874	162,731	17,945
Lancaster Recreational Development Corporation	1,653,036	781,018	89,926
	$ 36,652,687	$ 17,514,124	$ 1,993,921

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2025, the primary government recognized pension expense, as measured in accordance with GASB 68, of $5,384,798.

At September 30, 2025, the primary government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ 2,676,193	$ -
Changes of assumptions	-	212,513
Difference in projected and actual earnings on pension plan investments	-	1,058,945
Contributions made subsequent to measurement date	3,012,670	-
	$ 5,688,863	$ 1,271,458

For the year ended September 30, 2025, the primary government reported $3,012,670 as deferred outflows of resources related to pensions resulting from primary government contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction in the net pension liability at September 30, 2026.

For the year ended September 30, 2025, Lancaster Economic Development Corporation recognized pension expense, as measured in accordance with GASB 68, of $51,235.

At September 30, 2025, Lancaster Economic Development Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ 25,463	$ -
Changes of assumptions	-	2,022
Difference in projected and actual earnings on pension plan investments	-	10,108
Contributions made subsequent to measurement date	28,381	-
	$ 53,844	$ 12,130

For the year ended September 30, 2025, Lancaster Economic Development Corporation reported $28,381 as deferred outflows of resources related to pensions resulting from Lancaster Economic Development Corporation contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction in the net pension liability at September 30, 2026.

For the year ended September 30, 2025, Lancaster Recreational Development Corporation recognized pension expense, as measured in accordance with GASB 68, of $256,744.

At September 30, 2025, Lancaster Recreational Development Corporation reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	$ 127,599	$ -
Changes of assumptions	-	10,132
Difference in projected and actual earnings on pension plan investments	-	52,193
Contributions made subsequent to measurement date	139,109	-
	$ 266,708	$ 62,325

For the year ended September 30, 2025, Lancaster Recreational Development Corporation reported $139,109 as deferred outflows of resources related to pensions resulting from Lancaster Recreational Development Corporation contributions subsequent to the measurement date and prior to year-end. This amount will be recognized as a reduction in the net pension liability at September 30, 2026.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the primary government will be recognized in pension expense as follows:

Year Ending September 30,	Amortization of Deferred Outflows/(Inflows) of Resources
2026	$ 1,667,010
2027	1,901,698
2028	(1,487,644)
2029	(676,329)
Total	$ 1,404,735

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Lancaster Economic Development Corporation will be recognized in pension expense as follows:

Year Ending September 30,	Amortization of Deferred Outflows/(Inflows) of Resources
2025	$ 15,861
2026	18,094
2027	(14,155)
2028	(6,450)
Total	$ 13,350

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to Lancaster Recreational Development Corporation will be recognized in pension expense as follows:

Year Ending September 30,	Amortization of Deferred Outflows/(Inflows) of Resources
2025	$ 79,482
2026	90,672
2027	(70,930)
2028	(32,326)
Total	$ 66,898

Note 10. Other Postemployment Benefits

Retiree Health Care Plan

Plan Description

The City provides post-employment medical care (OPEB) for employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and dependents through the City's group health insurance plans, which cover both active and retired members. The benefit levels and contribution rates are approved annually by the City management and the City Council as part of the budget process.

Since no assets are accumulated in a trust that meets the criteria of paragraph four of GASB 75, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical and dental care benefits to its retirees. Retirees who elect COBRA cannot later elect retiree coverage. To be eligible for coverage an employee must qualify under all three of the following:

1. The retiree must have been covered for medical benefits under the City Health Plan as an employee immediately prior to termination of employment.
2. Apply for pension benefits from TMRS in accordance with their requirements and deadlines, but in no event later than 90 days from termination of employment; and
3. Enroll for retiree Health coverage within 31 days of the date of termination.

Funding Policy

The plan's premium rates are determined annually by City management and approved by the City Council as part of the annual budget. Members receiving HMO medical benefits contribute $672 per month for retiree-only coverage, $1,480 per month for retiree and spouse, and $2,290 per month for retiree and family. Members receiving PPO medical benefits contribute $822 per month for retiree-only coverage, $1,808 per month for retiree and spouse, and $2,798 per month for retiree and family. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through ensuring the annual employer contributions each year are equal to the benefits that are paid on behalf of the retirees.

Employees Covered by Benefit Terms

Membership in the Plan by membership class at December 31, 2024, (measurement date based on an actuarial valuation as of December 31, 2024), is as follows:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	-
Active employees	272
Total employees	276

Total OPEB Liability for Retiree Health Care Plan

The City and its component units' total OPEB liability of $720,693 was measured as of December 31, 2024.

Actuarial Assumptions

The total OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	December 31, 2024, based on an actuarial valuation as of December 31, 2023
Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	4.08% as of December 31, 2024 (3.77% as of December 31, 2023)
Inflation	2.50%
Salary Increase	3.60% to 11.85%, including inflation
Demographic Assumptions	Based on the 2023 experience study for the Texas Municipal Retirement System (TMRS).
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables were used, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP-2021 table to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 14 years
Participation Rates	20% for pre-65 retirees who are at least 50 years old at retirement; 0% for employees retiring before the age of 50.

For plans that do not have a formal trust that meets GASB's requirements, the discount rate equals the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 4.08% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.77% as of the prior measurement date.

Changes in Total OPEB Liability for Retiree Health Care Plan

The total OPEB liability and related information are as follows for the City and its component units at September 30, 2025:

	Total OPEB Liability
Balances as of October 1, 2024	$ 946,169
Changes for the year:	
Service cost	80,792
Interest on total OPEB liability	36,348
Difference between expected and actual experience	(328,239)
Effect of assumption changes (discount rate change)	30,491
Benefit payments, age adjusted premiums, net of retiree contributions	(44,868)
Balances as of September 30, 2025	$ 720,693
City	$ 677,451
Lancaster Economic Development Corporation	$ 7,207
Lancaster Recreational Development Corporation	$ 36,035

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the City and its component units has been calculated using a discount rate of 4.08%. The following presents the total OPEB liability using a discount rate one percent higher and one percent lower than the current discount rate.

	1% Decrease 3.08%	Current Discount Rate Assumption 4.08%	1% Increase 5.08%
Total OPEB Liability	$ 796,424	$ 720,693	$ 653,033

Sensitivity of Total OPEB Liability to Changes in the Health Care Trend Rates

The total OPEB liability of the City and its component units has been calculated using assumed trend rates. The following presents the total OPEB liability using a health care trend rate one percent higher and one percent lower than the current health care trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
Total OPEB Liability	$ 631,958	$ 720,693	$ 826,926

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2025, the City and its component units recognized OPEB expense of $16,964. At September 30, 2025, the City and its component units reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 9,691	$ 481,708
Changes of assumptions	107,512	311,385
Benefit payments subsequent to the measurement date	29,373	-
Total	$ 146,576	$ 793,093

Benefit payments subsequent to the measurement date and before fiscal year-end will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Amortization of Deferred Outflows/(Inflows) of Resources
2026	$ (100,409)
2027	(105,364)
2028	(114,017)
2029	(118,268)
2030	(111,224)
Thereafter	(126,608)
Total	$ (675,890)

Supplemental Death Benefit Fund

Plan Description

The City also participates in the single-employer defined benefit OPEB plan providing group term life insurance which is operated by TMRS and is known as the Supplemental Death Benefits fund (SDBF). The City elected, by ordinance, to provide group term life insurance coverage to active and retired members. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1, of any year to be effective the following January 1.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other post-employment benefit" or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. This rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree life insurance during employees' entire careers.

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms at December 31, 2024, (measurement date), is as follows:

Inactive employees or beneficiaries currently receiving benefits	145
Inactive employees entitled to but not yet receiving benefits	33
Active employees	282
Total employees	460

Total OPEB Liability for Supplemental Death Benefits

The City and its component units total OPEB liability of $795,803 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	4.08% as of December 31, 2024 (3.77% as of December 31, 2023)
Inflation	2.50%
Salary Increase	3.60% to 11.85%, including inflation
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates – disabled retirees	2019 Municipal Retirees of TexasMortality Tables with a 4 year setforward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not accumulated in a trust that meets the criteria of paragraph four of GASB 75. Under GASB 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.08% based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2024. GASB 75 also requires that the Total OPEB Liability (TOL) as of the prior fiscal year end be estimated based on the 20-Year Bond GO Index.

Changes in Total OPEB Liability for Supplemental Death Benefits

The total OPEB liability and related information are as follows for the City and its component units at September 30, 2025:

	Total OPEB Liability
Balances as of October 1, 2024	$ 806,448
Changes for the year:	
Service cost	37,968
Interest on total OPEB liability	30,642
Difference between expected and actual experience	(12,587)
Effect of assumption changes (discount rate change)	(41,356)
Benefit payments, age adjusted premiums, net of retiree contributions	(25,312)
Balances as of September 30, 2025	$ 795,803
City	$ 748,055
Lancaster Economic Development Corporation	$ 7,958
Lancaster Recreational Development Corporation	$ 39,790

Sensitivity of Total OPEB Liability to Changes in the Discount Rate

The total OPEB liability of the City and its component units has been calculated using a discount rate of 4.08%. The following presents the total OPEB liability using a discount rate one percent higher and one percent lower than the current discount rate.

	1% Decrease 3.08%	Current Discount Rate Assumption 4.08%	1% Increase 5.08%
Total OPEB Liability	$ 940,968	$ 795,803	$ 681,210

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2025, the City and its component units recognized OPEB expense of $20,547. At September 30, 2025, the City and its component units reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 32,930
Changes of assumptions	43,224	199,500
Total	$ 43,224	$ 232,430

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Amortization of Deferred Outflows/(Inflows) of Resources
2026	$ (66,965)
2027	(76,748)
2028	(34,977)
2029	(8,613)
2030	(1,903)
Total	$ (189,206)

Note 11. 457(b) Retirement Plans

The City offers all employees an opportunity to participate in two deferred compensation plans that have been established in accordance with Internal Revenue Code Section 457. These plans are 457(b) plans, and one is administered by ICMA, and one is administered by Nationwide. The Plans provisions and contribution requirements are established and may be amended by plan administrator. Vantage Trust Company is the trustee of the ICMA plan and Nationwide is the trustee of its plan. Employees may enroll in the plans and/or change their contribution amounts at any time. The City does not contribute to either plan.

Note 12. Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's legal counsel and management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe the amount is probable.

Note 13. Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City is part of the Texas Municipal League Intergovernmental Risk Pool (Pool). Premiums are paid to the Pool, which retain a limit of loss. Reinsurance companies insure the risks beyond those limits. The City retains, as a risk, only the deductible amount of each policy. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

Trinity River Authority of Texas

The City contracts with Trinity River Authority of Texas (TRA), a conservation and reclamation district, whereby TRA finances, constructs, operates, and maintains sewage transportation and treatment facilities for the benefit of the City. The current contract is extended through the date until which all bonds have been paid. The City makes payments monthly, which are based on an estimate of its share of costs. The City's share of costs for the fiscal year ended September 30, 2025, was $7,661,202 for the Ten Mile Creek Regional Wastewater System and $159,896, for the Red Oak Creek Regional Wastewater System. This estimate is calculated by TRA who makes adjustments for over/under charges in the City's next fiscal year. There were no adjustments to the amounts as calculated by the TRA for the year ended September 30, 2025.

Federal and State Programs

The City participates in several federal and state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that if the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2025, may be impaired.

Other Contingencies

There are other claims and pending actions incidental to normal operations of the City. In the opinion of the City administration, the City's potential liability in these matters will not have a material impact in the accompanying financial statements.

Note 14. Tax Incentive Rebates

The City of Lancaster has active Commercial Development and Job Related Incentive Rebates that develop or redevelop a particular property attracting business that generates incremental tax revenues. In addition to GASB 77, *Tax Abatement Disclosures*, the agreements are subject to Chapter 380 of the Texas Local Government Code that promotes local economic development, commercial activity, and business stimulation. City Council approves the agreements via resolution. As part of the agreement, the City agrees to rebate the ad valorem tax increment and the local sales tax after confirmation of payment. If the businesses do not meet the obligations as set forth in the agreement, a clawback provision for default on agreement is included in the agreement and the business agrees to return a percentage of the rebate back to the City. Total rebate of property tax dollars paid out of the general fund for the year ended September 30, 2025, is $4,623,613.

The City also uses Sales Tax Incentive Programs to spur additional economic development. For the year ended September 30, 2025, sales tax rebates paid out of LEDC was $364,341.

Note 15. Subsequent Events

The City evaluated subsequent events through February 17, 2026 and determined that no events occurred that require disclosure.

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Required Supplementary Information

City of Lancaster, Texas
Required Supplementary Information
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System (Unaudited)

	Measurement Year			
	2015	**2016**	**2017**	**2018**
Total Pension Liability				
Service cost	$ 2,193,202	$ 2,335,235	$ 2,469,383	$ 2,640,859
Interest (on the Total Pension Liability)	4,801,518	4,963,011	5,149,906	5,442,872
Change in benefit terms	-	-	-	-
Difference between expected and actual experience	190,955	(1,104,406)	312,809	311,293
Change in assumptions	961,057	-	-	-
Benefit payments, including refunds of employee contributions	(3,394,263)	(3,175,270)	(3,808,922)	(3,546,289)
Net Change in Total OPEB Liability	4,752,469	3,018,570	4,123,176	4,848,735
Total Pension Liability (Beginning)	69,193,640	73,946,109	76,964,679	81,087,855
Total Pension Liability (Ending)	$ 73,946,109	$ 76,964,679	$ 81,087,855	$ 85,936,590
Plan Fiduciary Net Position				
Contributions – employer	$ 2,038,833	$ 1,994,083	$ 2,199,587	$ 2,288,860
Contributions – employee	1,019,417	1,049,207	1,110,905	1,190,342
Net investment income	87,279	3,975,648	8,679,960	(2,119,471)
Benefit payments, including refunds of employee contributions	(3,394,263)	(3,175,270)	(3,808,922)	(3,546,289)
Administrative expense	(53,164)	(44,915)	(44,995)	(40,975)
Other	(2,625)	(2,420)	(2,281)	(2,140)
Net Change in Plan Fiduciary Net Position	(304,523)	3,796,333	8,134,254	(2,229,673)
Plan Fiduciary Net Position (Beginning)	59,151,774	58,847,251	62,643,584	70,777,838
Plan Fiduciary Net Position (Ending) (b)	$ 58,847,251	$ 62,643,584	$ 70,777,838	$ 68,548,165
City and component units net pension liability - Ending (a) - (b)	$ 15,098,858	$ 14,321,095	$ 10,310,017	$ 17,388,425
Plan fiduciary net position as a percentage of the total pension liability	79.58%	81.39%	87.29%	79.77%
Covered payroll	$ 14,563,096	$ 14,988,669	$ 15,870,071	$ 17,004,884
City and component units net pension liability as a percentage of covered payroll	103.68%	95.55%	64.97%	102.26%

Changes in assumptions: In the 2015 valuation the investment rate decreased from 7.0% to 6.75%; the inflation rate was lowered from 3.0% to 2.5%; the experience study for retirement age was updated.

Measurement Year						
2019	**2020**	**2021**	**2022**	**2023**	**2024**
$ 2,815,735	$ 2,870,095	$ 2,976,346	$ 3,357,167	$ 3,640,217	$ 4,125,899
5,772,620	6,130,458	6,394,896	6,842,974	7,311,535	7,840,390
-	-	-	-	-	-
184,748	(1,122,347)	1,307,190	1,322,682	2,227,916	3,223,793
287,170	-	-	-	(669,553)	-
(3,648,333)	(3,923,955)	(4,103,495)	(4,357,818)	(5,087,581)	(4,748,557)
5,411,940	3,954,251	6,574,937	7,165,005	7,422,534	10,441,525
85,936,590	91,348,530	95,302,781	101,877,718	109,042,723	116,465,257
$ 91,348,530	$ 95,302,781	$ 101,877,718	$ 109,042,723	$ 116,465,257	$ 126,906,782
$ 2,416,349	$ 2,441,668	$ 2,643,238	$ 2,831,143	$ 3,129,670	$ 3,606,995
1,263,214	1,270,757	1,331,273	1,496,826	1,602,611	1,771,859
10,594,869	6,004,800	11,063,066	(6,988,491)	10,269,950	10,238,671
(3,648,333)	(3,923,955)	(4,103,495)	(4,357,818)	(5,087,581)	(4,748,557)
(59,880)	(38,858)	(51,190)	(60,481)	(65,341)	(65,699)
(1,799)	(1,516)	351	72,172	(457)	(1,537)
10,564,420	5,752,896	10,883,243	(7,006,649)	9,848,852	10,801,732
68,548,165	79,112,585	84,865,481	95,748,723	88,742,074	98,590,926
$ 79,112,585	$ 84,865,481	$ 95,748,724	$ 88,742,074	$ 98,590,926	$ 109,392,658
$ 12,235,945	$ 10,437,300	$ 6,128,994	$ 20,300,649	$ 17,874,331	$ 17,514,124
86.61%	89.05%	93.98%	81.38%	84.65%	86.20%
$ 18,038,022	$ 18,153,669	$ 19,018,182	$ 21,383,231	$ 22,894,444	$ 23,312,266
67.83%	57.49%	32.23%	94.94%	78.07%	69.19%

City of Lancaster, Texas
Required Supplementary Information
Schedule of Contributions
Texas Municipal Retirement System (Unaudited)

	Fiscal Year			
	2016	**2017**	**2018**	**2019**
Actuarially Determined Contribution	$ 2,002,110	$ 2,134,819	$ 2,285,017	$ 2,441,322
Contributions in relation to the actuarially determined contribution	2,002,110	2,134,819	2,285,017	2,441,322
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 14,839,693	$ 15,572,564	$ 16,678,121	$ 18,031,676
Contributions as a percentage of covered payroll	13.49%	13.71%	13.70%	13.54%

Notes to Schedule of Contributions

Valuation Date:

Notes	Actuarially determined contribution rates are calculated as of December 31 and become effective in January, 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	22 years
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.60% to 11.85%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.
Mortality	Post retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale MP-2021. Pre-retirement: PUB(10) mortality rates, with the 110% of the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).

Other Information:

Notes	There were no benefit changes during the year

2020	2021	2022	2023	2024	2025
$ 2,451,002	$ 2,467,021	$ 2,675,859	$ 2,869,775	$ 3,447,080	$ 4,101,904
2,451,002	2,467,021	2,675,859	2,869,775	3,447,080	4,101,904
$ -	$ -	$ -	$ -	$ -	$ -
$ 18,060,708	$ 18,490,118	$ 21,593,406	$ 22,484,075	$ 24,190,035	$ 28,785,291
13.57%	13.34%	12.39%	12.76%	14.25%	14.25%

City of Lancaster, Texas
Required Supplementary Information
Schedule of Proportionate Share of Net Pension Liability and Contributions
Texas Retirement System (Unaudited)

	Primary Government			
	2016	**2017**	**2018**	**2019**
Proportionate share of net pension liability	94.61%	94.62%	94.63%	94.61%
Net pension liability	$ 14,285,030	$ 13,550,087	$ 9,756,009	$ 16,451,475
Actuarially determined contribution	$ 1,894,295	$ 1,894,396	$ 2,162,232	$ 2,309,775
Covered payroll	$ 14,040,821	$ 14,041,573	$ 15,781,923	$ 17,060,067
Proportionate share of net pension liability as a percentage of covered payroll	101.74%	96.50%	61.82%	96.43%

	Lancaster Economic Development Corporation			
	2016	**2017**	**2018**	**2019**
Proportionate share of net pension liability	0.93%	0.93%	0.95%	0.93%
Net pension liability	$ 140,419	$ 133,994	$ 97,894	$ 161,599
Actuarially determined contribution	$ 18,696	$ 18,620	$ 21,696	$ 22,688
Covered payroll	$ 138,576	$ 138,012	$ 158,359	$ 167,577
Proportionate share of net pension liability as a percentage of covered payroll	101.33%	97.09%	61.82%	96.43%

	Lancaster Recreational Development Corporation			
	2016	**2017**	**2018**	**2019**
Proportionate share of net pension liability	4.45%	4.45%	4.42%	4.46%
Net pension liability	$ 671,899	$ 637,014	$ 456,114	$ 775,350
Actuarially determined contribution	$ 89,119	$ 89,094	$ 101,089	$ 108,859
Covered payroll	$ 660,566	$ 660,378	$ 737,838	$ 804,033
Proportionate share of net pension liability as a percentage of covered payroll	101.72%	96.46%	61.82%	96.43%

2020	2021	2022	2023	2024	2025
94.62%	94.62%	94.59%	94.61%	94.59%	94.59%
$ 11,577,744	$ 9,876,406	$ 5,801,180	$ 19,206,148	$ 16,911,094	$ 16,570,375
$ 2,319,138	$ 2,334,295	$ 2,531,095	$ 2,715,094	$ 3,260,593	$ 3,879,991
$ 17,067,576	$ 17,177,002	$ 17,989,298	$ 20,230,675	$ 21,655,855	$ 23,942,873
67.83%	57.50%	32.25%	94.94%	78.09%	69.21%

2020	2021	2022	2023	2024	2025
0.94%	0.95%	0.90%	0.93%	0.90%	0.90%
$ 115,227	$ 99,040	$ 60,265	$ 187,810	$ 165,973	$ 162,731
$ 23,039	$ 23,410	$ 24,083	$ 26,550	$ 31,024	$ 36,917
$ 169,557	$ 172,261	$ 171,164	$ 197,825	$ 206,050	$ 227,810
67.96%	57.49%	35.21%	94.94%	80.55%	71.43%

2020	2021	2022	2023	2024	2025
4.44%	4.43%	4.51%	4.47%	4.51%	4.51%
$ 542,973	$ 461,854	$ 267,549	$ 906,691	$ 797,264	$ 781,018
$ 108,824	$ 109,167	$ 120,681	$ 128,173	$ 155,463	$ 184,996
$ 800,888	$ 803,306	$ 857,720	$ 955,043	$ 1,032,539	$ 1,141,583
67.80%	57.49%	31.19%	94.94%	77.21%	68.42%

City of Lancaster, Texas
Required Supplementary Information
Retiree Health Care Plan
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
(Unaudited)

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability							
Service cost	$ 80,792	$ 74,213	$ 125,204	$ 89,062	$ 78,688	$ 64,079	$ 65,663
Interest on the total OPEB liability	36,348	37,412	26,075	28,451	37,706	44,457	39,252
Difference between expected and actual experience	(328,239)	7,365	(212,982)	1,021	(124,895)	12,409	(16,374)
Changes of assumptions	30,491	(35,777)	(359,346)	(97,296)	102,810	112,094	2,136
Benefit payments	(44,868)	(47,391)	(46,241)	(43,215)	(52,976)	(82,029)	(72,858)
Net Change in Total OPEB Liability	(225,476)	35,822	(467,290)	(21,977)	41,333	151,010	17,819
Total OPEB liability - beginning	946,169	910,347	1,377,637	1,399,614	1,358,281	1,207,271	1,189,452
Total OPEB liability - ending	720,693	946,169	910,347	1,377,637	1,399,614	1,358,281	1,207,271
Covered-employee payroll	$ 25,312,249	$ 22,894,634	$ 21,281,494	$ 19,018,182	$ 18,150,111	$ 17,580,142	$ 17,005,491
Total OPEB liability as a percentage of covered-employee payroll	2.85%	4.13%	4.28%	7.24%	7.71%	7.73%	7.10%

	2017
Total OPEB Liability	
Service cost	$ 51,667
Interest on the total OPEB liability	41,389
Difference between expected and actual experience	1,641
Changes of assumptions	57,658
Benefit payments	40,219
Net Change in Total OPEB Liability	192,574
Total OPEB liability - beginning	1,080,598
Total OPEB liability - ending	1,273,172
Covered-employee payroll	$ 15,871,627
Total OPEB liability as a percentage of covered-employee payroll	7.49%

Changes of assumptions reflect the effect of changes in the discount rate each period. The following are the discount rates used in each period: 2018 – 3.71%, 2019 – 2.75%, 2020 – 2.00%, 2021 – 1 .84%, 2022 - 4.05%, 2023 - 3.77%, 2024 - 4.08%. Additionally, the demographic and salary increase assumptions were updated to reflect the 2024 TMRS Experience Study.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

No assets are accumulated in a trust that meets the criteria of paragraph four of GASB 75, therefore the plan is not accounted for as a trust fund.

City of Lancaster, Texas
Required Supplementary Information
TMRS Supplemental Death Benefits Plan
Schedule of Changes in the City's Total OPEB Liability and Related Ratios
(Unaudited)

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB Liability								
Service cost	$ 37,968	$ 29,763	$ 57,735	$ 51,349	$ 39,938	$ 27,057	$ 27,208	$ 22,218
Interest on the total OPEB liability	30,642	30,153	20,155	20,494	23,779	26,296	24,222	23,780
Difference between expected and actual experience	(12,587)	(9,586)	(19,533)	(19,014)	(33,785)	(39,707)	(16,454)	-
Changes of assumptions	(41,356)	37,934	(373,107)	33,936	135,647	141,242	(52,661)	59,920
Benefit payments	(25,312)	(22,894)	(21,383)	(17,116)	(5,446)	(5,411)	(5,101)	(6,348)
Net Change in Total OPEB Liability	(10,645)	65,370	(336,133)	69,649	160,133	149,477	(22,786)	99,570
Total OPEB liability - beginning	806,448	741,078	1,077,211	1,007,562	847,429	697,952	720,738	621,168
Total OPEB liability - ending	795,803	806,448	741,078	1,077,211	1,007,562	847,429	697,952	720,738
Covered-employee payroll	$ 25,312,266	$ 22,894,444	$ 21,383,231	$ 19,018,182	$ 18,153,669	$ 18,038,022	$ 17,005,491	$ 15,870,071
Total OPEB liability as a percentage of covered-employee payroll	3.14%	3.52%	3.47%	5.66%	5.55%	4.70%	4.10%	4.54%

Changes of assumptions reflect the effect of changes in the discount rate each period. The following are the discount rates used in each period: 2018 – 3.71%, 2019 – 2.75%, 2020 – 2.00%, 2021 – 1.84%, 2022 - 4.05%, 2023 - 3.77%, 2024 - 4.08%.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date (December 31).

No assets are accumulated in a trust that meets the criteria of paragraph four of GASB 75, therefore the plan is not accounted for as a trust fund.

City of Lancaster, Texas
Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual
General Fund (Unaudited)
For the Year Ended September 30, 2025

	Budgeted Amounts		Actual GAAP	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Taxes and fees	$ 39,966,789	$ 39,966,789	$ 43,735,004	$ 3,768,215
Licenses and permits	1,053,000	1,053,000	5,796,452	4,743,452
Intergovernmental	-	-	444,444	444,444
Charges for services	1,130,700	1,130,700	1,965,239	834,539
Fines and forfeits	594,900	594,900	1,420,304	825,404
Interest	500,000	500,000	2,328,840	1,828,840
Miscellaneous	53,959	53,959	783,163	729,204
Total revenues	43,299,348	43,299,348	56,473,446	13,174,098
Expenditures				
Current				
General government	9,485,315	9,485,315	14,953,395	(5,468,080)
Public safety	24,168,455	24,168,455	27,978,090	(3,809,635)
Public works	1,743,951	1,743,951	3,681,642	(1,937,691)
Community development and recreation	3,432,646	3,432,646	2,104,485	1,328,161
Capital outlay	7,398,521	7,398,521	3,953,288	3,445,233
Total expenditures	46,228,888	46,228,888	52,670,900	(6,442,012)
Excess (deficiency) of revenues over (under) expenditures	(2,929,540)	(2,929,540)	3,802,546	6,732,086
Other Financing Sources (Uses)				
Transfers in	2,816,919	2,816,919	1,625,284	1,191,635
Transfers out	-	-	-	-
Total other financing sources (uses)	2,816,919	2,816,919	1,625,284	1,191,635
Net Change in Fund Balances	(112,621)	(112,621)	5,427,830	7,923,721
Fund Balances, Beginning of Year	43,482,026	43,482,026	43,482,026	-
Fund Balances, End of Year	$ 43,369,405	$ 43,369,405	$ 48,909,856	$ 7,923,721

Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of the General Fund on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances technically lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are reappropriated and spent in the subsequent year. The variances between General Fund - Budget and Actual Schedule, as noted on the previous page, are a result of prior year encumbrances and not expenditures in excess of current year appropriations.

An operating budget for the General Fund is legally adopted each fiscal year.

The budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the City Council by the City Manager.
2. Upon receipt of the budget estimates, the City Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City.
3. A public hearing on the budget is held.
4. Prior to October 1 the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Excess of Expenditures Over Appropriations

For the year ended September 30, 2025, expenditures exceeded appropriations in the General Fund by $6,442,012. The overage was covered by excess revenue or available fund balance.

Combining and Individual Fund Statements and Schedules

City of Lancaster, Texas
Non-Major Governmental Funds
September 30, 2025

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Stormwater Drainage Fund – to account for revenues received from a fee charged for the development of the City's storm sewer drainage system.

Public Improvement Districts Fund – to account for the activities of the public improvement districts of the City.

Police State Seized Fund – to account for the activities of related funds awarded to the City by the Courts.

Police Federal Seized Fund – to account for the activities of related funds awarded to the City by the Courts.

Hotel/Motel Fund – to account for the revenues received from a hotel and motel tax.

Emergency 911 Fund – to account for revenues received from a fee charged for emergency services.

Parkland Dedication Fund – to account for revenues to provide for parks, open spaces, and recreational areas.

Capital Projects Fund

Street Maintenance Fund – to account for maintenance of the City's transportation system.

New Equipment Fund – to account for the revenues received from property tax that are intended to be used to prepare the City for long-term needs equipment replacement.

City of Lancaster, Texas
Combining Balance Sheet
Governmental Funds - Nonmajor
September 30, 2025

	Special Revenue Funds			
	Stormwater Drainage Fund	Public Improvement Districts Fund	Police State Seized Fund	Police Federal Seized Fund
Assets				
Cash and cash equivalents	$ 5,568,207	$ 4,233,265	$ 39,240	$ 432,705
Receivables (net of allowance for uncollectibles)				
Delinquent taxes	-	9,484	-	-
Accounts receivable	274,434	-	-	-
Total assets	$ 5,842,641	$ 4,242,749	$ 39,240	$ 432,705
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities				
Accounts and contracts payable	$ 110,458	$ 51,625	$ -	$ 4,943
Accrued liabilities	165,626	-	23,755	-
Total liabilities	276,084	51,625	23,755	4,943
Deferred Inflows of Resources				
Unavailable revenue	-	-	-	-
Total deferred inflows of resources	-	-	-	-
Fund Balances				
Restricted for				
Capital projects	-	-	-	-
Public works	5,566,557	-	-	-
Public improvement districts	-	4,191,124	-	-
Police	-	-	15,485	427,762
Tourism, convention centers, arts	-	-	-	-
Law enforcement purposes	-	-	-	-
Parkland dedication	-	-	-	-
Total fund balances	5,566,557	4,191,124	15,485	427,762
Total liabilities, deferred inflows of resources and fund balances	$ 5,842,641	$ 4,242,749	$ 39,240	$ 432,705

Special Revenue Funds			Capital Projects		
Hotel/Motel Fund	Emergency 911 Fund	Parkland Dedication Fund	Street Maintenance Fund	New Equipment Fund	Total Nonmajor Governmental Fund
$ 2,512,507	$ 1,877,579	$ 553,178	$ 1,963,970	$ 393,907	$ 17,574,558
-	-	-	17,598	-	27,082
163,282	51,663	-	-	-	489,379
$ 2,675,789	$ 1,929,242	$ 553,178	$ 1,981,568	$ 393,907	$ 18,091,019
$ 2,097	$ 6,351	$ -	$ 538,915	$ -	$ 714,389
-	805	-	-	-	190,186
2,097	7,156	-	538,915	-	904,575
200,000	-	-	-	-	200,000
200,000	-	-	-	-	200,000
-	-	-	-	393,907	393,907
-	-	-	1,442,653	-	7,009,210
-	-	-	-	-	4,191,124
-	-	-	-	-	443,247
2,473,692	-	-	-	-	2,473,692
-	1,922,086	-	-	-	1,922,086
-	-	553,178	-	-	553,178
2,473,692	1,922,086	553,178	1,442,653	393,907	16,986,444
$ 2,675,789	$ 1,929,242	$ 553,178	$ 1,981,568	$ 393,907	$ 18,091,019

City of Lancaster, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - Nonmajor
For the Year Ended September 30, 2025

	Special Revenue Funds			
	Stormwater Drainage Fund	Public Improvement Districts Fund	Police State Seized Fund	Police Federal Seized Fund
Revenues				
Taxes and fees	$ 2,403,601	$ 1,284,593	$ -	$ -
Licenses and permits	-	-	-	-
Charges for services	34,025	-	-	-
Fines and forfeits	-	-	1,293	165,486
Interest	208,306	162,846	2,009	12,821
Miscellaneous	-	-	-	-
Total revenues	2,645,932	1,447,439	3,302	178,307
Expenditures				
Current				
Public safety	-	-	7,202	34,516
Public works	2,185,172	-	-	-
Community development and recreation	-	528,028	-	-
Capital outlay	61,200	8,649	-	-
Debt service				
Principal retirement	45,000	-	-	-
Interest and fiscal charges	5,375	-	-	-
Total expenditures	2,296,747	536,677	7,202	34,516
Excess (Deficiency) of Revenues Over (Under) Expenditures	349,185	910,762	(3,900)	143,791
Other Financing Sources (Uses)				
Transfers out	(80,019)	-	-	-
Total other financing sources (uses)	(80,019)	-	-	-
Net Change in Fund Balances	269,166	910,762	(3,900)	143,791
Fund Balances, Beginning of Year	5,297,391	3,280,362	19,385	283,971
Fund Balances, End of Year	$ 5,566,557	$ 4,191,124	$ 15,485	$ 427,762

Special Revenue Funds			Capital Projects Funds		
Hotel/Motel Fund	Emergency 911 Fund	Parkland Dedication Fund	Street Maintenance Fund	New Equipment Fund	Total Nonmajor Governmental Fund
$ 216,292	$ -	$ -	$ 1,609,682	$ 161,747	$ 5,675,915
-	380,371	-	-	-	380,371
-	-	-	-	-	34,025
-	-	-	-	-	166,779
94,340	65,935	-	81,249	-	627,506
2,000	218,064	-	-	-	220,064
312,632	664,370	-	1,690,931	161,747	7,104,660
-	220,114	-	-	-	261,832
-	-	-	-	-	2,185,172
93,500	-	-	-	-	621,528
15,250	-	-	1,547,657	-	1,632,756
-	-	-	-	-	45,000
-	-	-	-	-	5,375
108,750	220,114	-	1,547,657	-	4,751,663
203,882	444,256	-	143,274	161,747	2,352,997
(5,000)	-	-	-	-	(85,019)
(5,000)	-	-	-	-	(85,019)
198,882	444,256	-	143,274	161,747	2,267,978
2,274,810	1,477,830	553,178	1,299,379	232,160	14,718,466
$ 2,473,692	$ 1,922,086	$ 553,178	$ 1,442,653	$ 393,907	$ 16,986,444

City of Lancaster, Texas
Non-major Enterprise Funds
September 30, 2025

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the City is that costs of providing the goods or services to the general public on a continuing basis will be financed or recovered through user charges. The City has one Non-major Enterprise Fund, which include the following:

Refuse Fund – to account for the operation of the City's refuse services.

City of Lancaster, Texas
Combining Statement of Net Position
Nonmajor Enterprise Funds
September 30, 2025

	Refuse Fund	Total Non-major Enterprise Funds
Assets		
Current assets		
Cash and cash equivalents	$ 6,353,338	$ 6,353,338
Receivables (net of allowance for uncollectibles)		
Accounts	288,451	288,451
Unbilled	133,279	133,279
Total current assets	6,775,068	6,775,068
Noncurrent assets		
Capital assets		
Depreciable (net of accumulated depreciation)	184,988	184,988
Total noncurrent assets	184,988	184,988
Total assets	6,960,056	6,960,056
Liabilities		
Current liabilities		
Accounts payable	218,667	218,667
Accrued liabilities	90,051	90,051
Total current liabilities	308,718	308,718
Noncurrent liabilities		
Compensated absences	872	872
Total noncurrent liabilities	872	872
Total liabilities	309,590	309,590
Net Position		
Net investment in capital assets	184,988	184,988
Unrestricted	6,465,478	6,465,478
Total net position	$ 6,650,466	$ 6,650,466

City of Lancaster, Texas
Combining Statement of Revenues, Expenses and Changes in Net Position
Nonmajor Enterprise Funds
For the Year Ended September 30, 2025

	Refuse Fund	Total Non-major Enterprise Funds
Operating Revenues		
Charges for services	$ 2,987,686	$ 2,987,686
Total operating revenues	2,987,686	2,987,686
Operating Expenses		
Special services	2,592,626	2,592,626
Depreciation	5,636	5,636
Other	64,965	64,965
Total operating expenses	2,663,227	2,663,227
Operating Income	324,459	324,459
Nonoperating Revenues (Expenses)		
Interest revenue	198,287	198,287
Total nonoperating revenues (expenses)	198,287	198,287
Income Before Transfers	522,746	522,746
Transfers out	(198,950)	(198,950)
Change in Net Position	323,796	323,796
Net Position, Beginning of Year	6,326,670	6,326,670
Net Position, End of Year	$ 6,650,466	$ 6,650,466

City of Lancaster, Texas
Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Year Ended September 30, 2025

	Refuse Fund	Total Non-major Enterprise Fund
Operating Activities		
Receipts from customers and users	$ 2,976,935	$ 2,976,935
Payments to suppliers	(3,042,762)	(3,042,762)
Net cash used in operating activities	(65,827)	(65,827)
Noncapital and Related Financing Activities		
Transfers out	(198,950)	(198,950)
Net cash used in noncapital financing activities	(198,950)	(198,950)
Investing Activities		
Interest on investments	198,287	198,287
Net cash provided by investing activities	198,287	198,287
Decrease in Cash and Cash Equivalents	(66,490)	(66,490)
Cash and Cash Equivalents, Beginning of Year	6,419,828	6,419,828
Cash and Cash Equivalents, End of Year	$ 6,353,338	$ 6,353,338
Reconciliation of Net Operating Income to Net Cash Used in Operating Activities		
Operating income	$ 324,459	$ 324,459
Item not requiring cash		
Depreciation	5,636	5,636
Changes in		
Accounts receivable	(10,751)	(10,751)
Accounts payable	(398,618)	(398,618)
Accrued expenses	13,447	13,447
Net cash used in operating activities	$ (65,827)	$ (65,827)

Lancaster Economic Development Corporation – to account for revenues from an industrial development sales tax to spur increased economic development activity within the City.

Lancaster Recreational Development Corporation – to account for revenues from a sales and use tax for the development of parks and recreational facilities.

City of Lancaster, Texas
Balance Sheet
Economic Development Corporation
Discretely Presented Component Units
September 30, 2025

Assets	
Cash and cash equivalents	$ 12,061,146
Sales tax receivable	500,429
Due from primary government	597,238
Total assets	13,158,813
Liabilities	
Accounts payable	323,996
Total liabilities	323,996
Fund Balances	
Unassigned	12,834,817
Total fund balances	12,834,817
Total Liabilities and Fund Balance	$ 13,158,813

City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
Economic Development Corporation
Discretely Presented Component Units
September 30, 2025

Total Fund Balance	$	12,834,817
Amounts reported in the statement of net position are different because:		
Interest payable on long-term debt does not require current financial resources; therefore, interest payable is not reported as a liability in the balance sheet.		(4,065)
Capital assets used in governmental activities are not financial resources; therefore, are not reported as assets in fund financial statements. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		1,433,599
Long-term liabilities, including notes payable, net pension liability, and total OPEB liability are not due and payable in the current period and therefore are not reported in the fund financial statements.		(692,896)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Deferred outflows of resources – Pension		53,844
Deferred outflows of resources – OPEB		1,893
Deferred inflows of resources – Pension		(12,130)
Deferred inflows of resources – OPEB		(10,199)
Total Net Position	$	13,604,863

City of Lancaster, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Economic Development Corporation
Discretely Presented Component Units
For the Year Ended September 30, 2025

Revenues	
Sales taxes	$ 2,780,307
Interest	467,070
Total revenues	3,247,377
Expenditures	
Cultural and recreation	1,358,540
Capital outlay	1,048,969
Debt service	
Repayment of note payable to primary government	190,000
Repayment of interest to primary government	24,100
Total expenditures	2,621,609
Net Change in Fund Balance	625,768
Fund Balance, Beginning of Year	12,209,049
Fund Balance, End of Year	$ 12,834,817

City of Lancaster, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
Economic Development Corporation
Discretely Presented Component Units
For the Year Ended September 30, 2025

Net Change in Fund Balance	$	625,768
Amounts reported in the statement of activities are different because:		
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		1,048,969
Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.		(13,705)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.		190,000
Change in Net Position	$	1,851,032

City of Lancaster, Texas
Balance Sheet
Recreational Development Corporation
Discretely Presented Component Units
September 30, 2025

Assets	
Cash and cash equivalents	$ 11,304,416
Sales tax receivable	1,000,914
Accounts receivable	43,668
Prepaid expenses	15,707
Total assets	12,364,705
Liabilities	
Accounts payable	271,795
Accrued liabilities	103,415
Due to primary government	1,295,543
Total liabilities	1,670,753
Fund Balance	
Nonspendable for prepaid items	15,707
Unassigned	10,678,245
Total fund balances	10,693,952
Total liabilities and fund balance	$ 12,364,705

City of Lancaster, Texas
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
Recreational Development Corporation
Discretely Presented Component Units
September 30, 2025

Total fund balance	$	10,693,952
Amounts reported in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in fund financial statements. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		7,457,393
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the balance sheet.		(1,310)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the fund financial statements.		(856,844)
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements. Deferred outflows of resources and deferred inflows of resources at year-end consist of:		
Deferred outflows of resources – Pension		266,708
Deferred outflows of resources – OPEB		9,485
Deferred inflows of resources – Pension		(62,325)
Deferred inflows of resources – OPEB		(50,992)
Total net position	$	17,456,067

City of Lancaster, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Recreational Development Corporation
Discretely Presented Component Units
For the Year Ended September 30, 2025

Revenues		
Sales taxes	$	5,560,613
Charges for services		488,654
Other revenues		14,531
Interest		402,363
Total revenues		6,466,161
Expenditures		
Cultural and recreation		2,827,937
Debt service		
Repayment of note payable to primary government		680,000
Total expenditures		3,507,937
Net Change in Fund Balance		2,958,224
Fund Balance, Beginning of Year		7,735,728
Fund Balance, End of Year	$	10,693,952

City of Lancaster, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2025

Net Change in Fund Balance	$	2,958,224
Amounts reported in the statement of activities are different because:		
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(507,346)
Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.		(68,671)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements.		680,000
Change in Net Position	$	3,062,207

Statistical Section

The following portion of the City of Lancaster Annual Comprehensive Financial Report presents detailed information as a context for understanding the information in the financial statements, note disclosures, and required supplementary information regarding the City's overall financial health.

Table Contents

Financial Trends – *These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.*

Entity-wide information:

A Net position by component, last ten fiscal years
B Changes in net position, last ten fiscal years

Governmental funds information:

C Fund balances of governmental funds, last ten fiscal years
D Changes in fund balances of governmental funds, last ten fiscal years

Revenue Capacity – *These tables contain information to help the reader assess one of the City's most significant revenue sources, the property tax.*

E Assessed and estimated actual value of taxable property, last ten fiscal years
F Direct and overlapping property tax rates, last ten fiscal years
G Principal taxpayers, current year and nine years ago
H Ad-valorem tax levies and collections, last ten fiscal years

Debt Capacity – *These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.*

I Ratios of outstanding debt by type, last ten fiscal years
J Ratios of net general bonded debt outstanding *per capita*, last ten fiscal years
K Legal debt margin information
L Direct and overlapping governmental activities debt, last ten fiscal years
M Secured revenue coverage – Water Bonds, last ten fiscal years

Demographic and Economic Information – *These tables offer demographic and economic indicators to help understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.*

N Demographic and Economic Statistics, last ten calendar years
O Principal employers, current and six years ago

Table Contents

Operating Information – *These tables contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and activities it performs.*

P	Full-time equivalent City government employees by function/program, last ten years
Q	Operating indicators by function/program, last ten fiscal years
R	Capital asset statistics by function/program, last ten fiscal years

Sources: Unless otherwise noted, the information in these tables is derived from the Annual Comprehensive Financial Reports for the relevant years.

City of Lancaster, Texas
Table A - Net Position by Component
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
Governmental Activities				
Net investment in capital assets	$ 41,406,070	$ 47,966,710	$ 37,985,322	$ 33,701,881
Restricted for				
Court security	29,106	38,013	45,457	55,458
Court technology	82,633	97,869	109,564	108,981
Capital projects	-	-	-	-
Debt service	808,824	1,749,893	1,949,459	3,245,575
Public works	-	-	-	-
Public improvement districts	613,074	829,346	839,635	1,095,705
Police grants	-	-	-	-
Tourism, convention centers, and arts	621,137	717,922	826,544	981,652
Law enforcement purposes	834,271	1,009,536	1,138,971	1,176,713
Parkland dedication	-	-	-	-
Unrestricted	2,596,403	(5,878,003)	7,779,240	14,184,301
Total governmental activities net position	$ 46,991,518	$ 46,531,286	$ 50,674,192	$ 54,550,266
Business-type Activities				
Net investment in capital assets	$ 42,684,653	$ 43,805,254	$ 40,005,241	$ 41,354,370
Unrestricted	23,659,170	26,965,817	32,720,848	34,682,576
Total business-type activities net position	$ 66,343,823	$ 70,771,071	$ 72,726,089	$ 76,036,946
Primary Government				
Net investment in capital assets	$ 84,090,723	$ 91,771,964	$ 77,990,563	$ 75,056,251
Restricted for				
Court security	29,106	38,013	45,457	55,458
Court technology	82,633	97,869	109,564	108,981
Capital projects	-	-	-	-
Public works	-	-	-	-
Public improvement districts	613,074	829,346	839,635	1,095,705
Police grants	-	-	-	-
Tourism, convention centers, and arts	621,137	717,922	826,544	981,652
Law enforcement purposes	834,271	1,009,536	1,138,971	1,176,713
Debt service	808,824	1,749,893	1,949,459	3,245,575
Parkland dedication	-	-	-	-
Unrestricted	26,255,573	21,087,814	40,500,088	48,866,877
Total primary governmental net position	$ 113,335,341	$ 117,302,357	$ 123,400,281	$ 130,587,212

Source: Annual Comprehensive Financial Report

Fiscal Year						
2020	2021	2022	2023	2024	2025
$ 37,281,365	$ 40,362,558	$ 37,622,318	$ 46,233,030	$ 59,214,187	$ 41,906,399
70,498	84,640	78,707	84,318	10,524	-
131,656	118,312	118,358	115,016	10,279	-
-	-	9,901,782	9,945,624	2,878,992	31,533,900
5,297,018	7,178,670	8,406,453	11,690,613	12,899,603	14,103,101
-	-	4,788,022	5,008,525	6,596,770	7,009,210
1,379,979	1,681,744	1,801,880	2,386,156	3,280,362	4,191,124
-	-	136,877	222,174	303,356	443,247
1,216,936	1,457,365	1,772,053	1,887,850	2,274,810	2,473,692
1,383,977	1,279,573	1,445,199	1,382,846	1,477,830	1,922,086
-	-	553,178	553,178	553,178	553,178
14,630,657	22,555,399	22,655,727	28,419,865	33,200,849	34,593,755
$ 61,392,086	$ 74,718,261	$ 89,280,554	$ 107,929,195	$ 122,700,740	$ 138,729,692
$ 42,523,889	$ 42,577,357	$ 42,158,125	$ 42,983,872	$ 44,079,563	$ 45,975,765
36,379,569	38,755,582	43,226,929	49,693,008	58,720,347	67,844,939
$ 78,903,458	$ 81,332,939	$ 85,385,054	$ 92,676,880	$ 102,799,910	$ 113,820,704
$ 79,805,254	$ 82,939,915	$ 79,780,443	$ 89,216,902	$ 103,293,750	$ 87,882,164
70,498	84,640	78,707	84,318	10,524	-
131,656	118,312	118,358	115,016	10,279	-
-	-	9,901,782	9,945,624	2,878,992	31,533,900
-	-	4,788,022	5,008,525	12,899,603	14,103,101
1,379,979	1,681,744	1,801,880	2,386,156	6,596,770	7,009,210
-	-	136,877	222,174	3,280,362	4,191,124
1,216,936	1,457,365	1,772,053	1,887,850	303,356	443,247
1,383,977	1,279,573	1,445,199	1,382,846	2,274,810	2,473,692
5,297,018	7,178,670	8,406,453	11,690,613	1,477,830	1,922,086
-	-	553,178	553,178	553,178	553,178
51,010,226	61,310,981	65,882,656	78,112,873	91,921,196	102,438,694
$ 140,295,544	$ 156,051,200	$ 174,665,608	$ 200,606,075	$ 225,500,650	$ 252,550,396

City of Lancaster, Texas
Table A - Net Position by Component
Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2015	2016	2017	2018
Expenses				
Governmental Activities				
General Government	$ 3,891,404	$ 7,337,257	$ 7,327,188	$ 6,540,944
Public safety	16,540,660	18,522,908	18,869,618	20,671,196
Public works	5,987,362	3,651,258	3,869,238	3,441,079
Community development and recreation	1,225,730	1,366,830	1,829,003	2,214,694
Interest and fiscal charges	3,379,380	3,200,431	2,935,851	4,304,629
Total governmental activities expenses	31,024,536	34,078,684	34,830,898	37,172,542
Business-type Activities				
Water and sewer	12,185,162	12,960,201	12,635,280	14,113,248
Refuse	2,134,898	1,470,074	1,531,088	1,505,851
Airport	909,428	724,101	842,480	747,317
Golf Course	82,234	79,667	116,867	1,038,286
Total business-type activities expenses	15,311,722	15,234,043	15,125,715	17,404,702
Total primary government expenses	$ 46,336,258	$ 49,312,727	$ 49,956,613	$ 54,577,244
Program Revenues				
Governmental activities				
Charges for services				
General government	$ -	$ -	$ -	$ -
Public safety	1,436,765	2,303,526	1,563,791	1,910,595
Public works	1,838,598	3,346,266	2,931,542	2,892,010
Community development and recreation	1,351,379	-	-	-
Operating grants and contributions	-	894,947	748,338	2,184,968
Capital grants and contributions	-	-	-	-
Total governmental activities program revenues	$ 4,626,742	$ 6,544,739	$ 5,243,671	$ 6,987,573

Fiscal Year					
2019	2020	2021	2022	2023	2024
$ 7,542,414	$ 8,618,415	$ 6,205,691	$ 10,674,597	$ 9,485,015	$ 16,867,054
22,445,886	21,474,236	22,602,069	23,875,475	27,130,065	32,308,470
3,512,367	3,735,538	5,034,667	4,580,441	5,507,307	7,211,617
2,461,161	2,795,968	2,625,974	2,579,686	3,225,052	3,032,217
2,928,389	2,794,842	2,331,002	1,969,847	1,746,748	4,127,100
38,890,217	39,418,999	38,799,403	43,680,046	47,094,187	63,546,458
14,151,252	14,573,772	15,673,559	17,309,616	17,956,938	23,403,273
1,570,873	1,891,782	1,702,400	1,632,505	2,752,590	2,663,227
760,573	780,611	891,042	1,135,709	999,604	1,045,483
1,093,145	951,759	1,033,880	1,272,822	1,296,562	1,434,230
17,575,843	18,197,924	19,300,881	21,350,652	23,005,694	28,546,213
$ 56,466,060	$ 57,616,923	$ 58,100,284	$ 65,030,698	$ 70,099,881	$ 92,092,671
$ 1,783,188	$ 1,919,690	$ 1,902,060	$ 1,944,669	$ 2,029,171	$ 9,169,351
1,322,261	1,473,204	2,781,229	1,964,050	1,797,442	13,937
3,508,030	1,753,034	5,060,021	6,143,274	4,680,968	579,882
-	-	-	-	-	-
1,273,543	4,496,757	2,546,121	2,272,438	1,604,960	1,313,444
236,500	-	-	-	-	-
$ 8,123,522	$ 9,642,685	$ 12,289,431	$ 12,324,431	$ 10,112,541	$ 11,076,614

City of Lancaster, Texas
Table B - Changes in Net Position
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
Business-type Activities				
Charges for services				
Water and sewer	$ 15,708,146	$ 16,072,343	$ 16,544,138	$ 16,466,683
Refuse	2,374,754	2,695,335	2,549,198	2,681,079
Airport	775,416	681,037	685,256	688,845
Golf course	69,582	113,629	152,823	191,012
Operating grants and contributions	3,612,835	-	-	-
Total business-type activities program revenues	22,540,733	19,562,344	19,931,415	20,027,619
Total primary government program revenues	$ 29,085,472	$ 24,806,015	$ 26,918,988	$ 28,151,141
Net (Expenses) Revenues				
Governmental activities	$ (27,533,945)	$ (29,587,227)	$ (30,184,969)	$ (30,766,695)
Business-type activities	7,306,690	4,436,629	2,526,713	2,451,776
Total primary government net expenses	$ (20,227,255)	$ (25,150,598)	$ (27,658,256)	$ (28,314,919)
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	$ 15,696,270	$ 18,172,866	$ 20,117,067	$ 22,325,257
Sales taxes	5,633,760	6,168,242	7,160,171	6,869,083
Franchise taxes	2,041,390	2,138,384	2,272,208	2,305,492
Other local taxes	2,019,179	1,761,893	1,164,457	34,537
Grants not restricted to specific programs	-	-	-	-
Interest on investments	111,569	270,073	501,786	1,031,549
Miscellaneous	292,911	581,435	788,192	416,070
Transfers	(193,511)	1,722,208	2,099,973	1,660,781
Total governmental activities	25,601,568	30,815,101	34,103,854	34,642,769
Business-type activities				
Interest on investments	89,948	219,076	489,104	830,598
Miscellaneous	1,293,005	1,493,751	1,173,073	1,689,264
Transfers	193,511	(1,722,208)	(2,099,973)	(1,660,781)
Total business-type activities	1,576,464	(9,381)	(437,796)	859,081
Total primary government	27,178,032	30,805,720	33,666,058	35,501,850
Change in Net Position				
Governmental activities	(1,932,377)	1,227,874	3,918,885	3,876,074
Business-type activities	8,883,154	4,427,248	2,088,917	3,310,857
Total primary government	$ 6,950,777	$ 5,655,122	$ 6,007,802	$ 7,186,931

Fiscal Year					
2020	2021	2022	2023	2024	2025
$ 17,413,522	$ 17,668,813	$ 20,040,970	$ 23,632,512	$ 26,787,016	$ 30,609,183
2,720,555	2,749,275	2,803,273	2,754,046	2,954,781	2,987,686
675,621	711,252	994,533	939,147	908,086	874,032
188,457	290,251	982,227	1,225,317	1,359,033	1,468,834
-	-	-	-	22,993	127,630
20,998,155	21,419,591	24,821,003	28,551,022	32,031,909	36,067,365
$ 30,640,840	$ 33,709,022	$ 37,145,434	$ 38,663,563	$ 41,466,821	$ 47,143,979
$ (29,776,314)	$ (26,509,972)	$ (31,355,615)	$ (36,981,646)	$ (44,949,419)	$ (52,469,844)
2,800,231	2,118,710	3,470,351	5,545,328	6,805,696	7,521,152
$ (26,976,083)	$ (24,391,262)	$ (27,885,264)	$ (31,436,318)	$ (38,143,723)	$ (44,948,692)
$ 25,428,022	$ 27,233,924	$ 28,220,448	$ 32,012,126	$ 34,020,989	$ 39,259,277
6,557,347	7,817,596	11,394,534	12,872,185	14,491,661	13,901,534
2,057,524	2,310,260	2,384,293	2,484,796	2,210,640	2,383,621
16,208	22,745	38,888	52,457	419,503	2,871,621
-	-	-	2,149,369	1,650,325	1,326,981
388,113	32,465	466,456	3,042,035	5,355,400	6,212,270
346,153	620,488	565,093	469,392	679,945	1,003,227
1,824,767	1,798,669	1,926,941	1,888,477	892,501	1,540,265
36,618,134	39,836,147	44,996,653	54,970,837	59,720,964	68,498,796
368,113	26,682	323,409	2,057,169	2,494,695	2,580,848
1,522,935	2,082,758	1,026,325	1,577,806	1,715,140	2,459,059
(1,824,767)	(1,798,669)	(1,926,941)	(1,888,477)	(892,501)	(1,540,265)
66,281	310,771	(577,207)	1,746,498	3,317,334	3,499,642
36,684,415	40,146,918	44,419,446	56,717,335	63,038,298	71,998,438
6,841,820	13,326,175	13,641,038	17,989,191	14,771,545	16,028,952
2,866,512	2,429,481	2,893,144	7,291,826	10,123,030	11,020,794
$ 9,708,332	$ 15,755,656	$ 16,534,182	$ 25,281,017	$ 24,894,575	$ 27,049,746

City of Lancaster, Texas
Table C - Fund Balances of Governmental Funds
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
General Fund				
Nonspendable	$ 16,290	$ 116,498	$ 110,373	$ 125,850
Court security	29,106	38,013	45,457	55,458
Court technology	82,633	97,869	109,564	108,981
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	6,846,881	8,815,560	12,029,708	14,025,595
Total general fund	$ 6,974,910	$ 9,067,940	$ 12,295,102	$ 14,315,884
All Other Governmental Funds				
Nonspendable	$ -	$ -	$ -	$ -
Restricted for				
Capital projects	15,924,564	7,134,763	6,127,269	10,598,227
Debt service	808,824	1,749,893	1,949,459	3,245,575
Public works	2,067,582	2,497,565	3,085,202	3,659,232
Public improvement districts	613,074	829,346	839,635	1,095,705
Police grants	57,184	64,360	87,929	49,468
Tourism, convention centers, and arts	621,137	717,922	826,544	981,652
Law enforcement purposes	777,087	945,176	1,051,042	1,127,245
Parkland dedication	-	-	-	431,378
Street maintenance	-	-	-	-
Unassigned	-	-	-	200,000
Total all other governmental funds	$ 20,869,452	$ 13,939,025	$ 13,967,080	$ 21,388,482

Source: Annual Comprehensive Financial Report

Fiscal Year						
2020	2021	2022	2023	2024	2025
$ 111,681	$ 120,924	$ 159,024	$ 213,300	$ 200,749	$ 200,678
70,498	84,640	78,707	84,318	10,524	-
131,656	118,312	118,312	115,016	10,279	-
-	-	20,075,173	22,776,671	18,004,281	35,671,167
-	-	4,231,873	7,584,825	16,934,993	3,896,617
15,592,738	23,036,747	6,898,290	7,496,731	8,321,200	9,141,394
$ 15,906,573	$ 23,360,623	$ 31,561,379	$ 38,270,861	$ 43,482,026	$ 48,909,856
$ -	$ -	$ -	$ -	$ -	$ -
8,594,068	9,991,544	11,320,875	11,433,846	37,991,206	50,105,080
5,297,018	7,178,670	8,406,753	11,690,613	12,899,603	18,954,828
4,317,402	4,340,081	4,788,022	5,008,525	6,596,770	7,009,210
1,379,979	1,681,744	1,801,880	2,386,156	3,280,362	4,191,124
92,970	39,343	136,877	222,174	303,356	443,247
1,216,936	1,457,365	1,772,053	1,887,850	2,274,810	2,473,692
1,291,007	1,240,230	1,308,322	1,382,846	1,477,830	1,922,086
431,378	431,378	553,178	553,178	553,178	553,178
-	-	659,450	-	-	-
659,406	(252,660)	(555)	(113,638)	(555)	(555)
$ 23,280,164	$ 26,107,695	$ 30,746,855	$ 34,451,550	$ 65,376,560	$ 85,651,890

City of Lancaster, Texas
Table D - Changes in Fund Balances of Governmental Funds
Modified Accrual Basis of Accounting
Last Ten Fiscal Years (Unaudited)

	Fiscal Year			
	2016	2017	2018	2019
Revenues				
Taxes and fees	$ 25,270,016	$ 28,571,938	$ 31,820,128	$ 34,074,520
Licenses and permits	1,830,079	1,484,252	1,695,322	1,370,116
Intergovernmental	1,504,947	1,280,288	2,801,908	1,273,543
Charges for services	1,516,187	1,447,290	1,196,688	2,137,914
Fines and forfeitures	2,303,526	1,563,791	1,910,595	1,322,261
Interest	111,569	270,073	501,786	1,031,549
Miscellaneous	292,911	581,435	356,692	391,411
Total revenues	32,829,235	35,199,067	40,283,119	41,601,314
Expenditures				
Current				
General government	4,171,215	4,801,896	5,045,895	5,334,851
Public safety	16,114,990	16,252,899	16,150,528	18,193,109
Public works	2,243,874	3,018,500	2,903,095	2,963,218
Social and welfare	1,134,586	1,576,620	1,865,836	2,090,158
Community development and recreation	-	-	-	-
Capital outlay	1,769,198	9,531,567	5,291,763	7,564,307
Debt Service				
Principal retirement	3,345,838	3,432,256	3,791,760	4,426,571
Interest and fiscal charges	3,454,802	3,144,934	4,510,498	3,038,551
Cost of issuance of bonds	-	95,206	-	100,791
Total expenditures	32,234,503	41,853,878	39,559,375	43,711,556
Excess (deficiency) of revenues over (under) expenditures	$ 594,732	$ (6,654,811)	$ 723,744	$ (2,110,242)
Other Financing Sources (Uses)				
Bonds issued	$ 4,080,000	$ -	$ -	$ 9,550,000
Tax notes issued	-	-	-	-
Capital leases issued	-	-	431,500	24,659
Payment to refunding escrow agent	-	(5,632,042)	-	-
Premium on issuance of bonds	-	397,248	-	80,486
Proceeds from refunding bonds issued	-	5,330,000	-	-
Proceeds from tax notes issued	-	-	-	-
Capital contributions	-	-	-	236,500
Transfers from other funds	1,729,308	1,786,755	2,164,520	2,059,634
Transfers to other funds	(1,922,819)	(64,547)	(64,547)	(398,853)
Total other financing sources (uses)	3,886,489	1,817,414	2,531,473	11,552,426
Net Change in Fund Balances	$ 4,481,221	$ (4,837,397)	$ 3,255,217	$ 9,442,184
Debt service as a percentage of noncapital expenditures	22.3%	20.3%	24.2%	20.7%

Fiscal Year						
2020	2021	2022	2023	2024	2025
$ 36,784,104	$ 40,946,412	$ 46,037,378	$ 50,080,816	$ 55,070,981	$ 59,617,007
1,299,206	3,199,188	3,342,571	2,434,257	2,124,016	6,176,823
4,496,757	2,546,121	3,731,343	3,754,329	3,200,058	2,640,425
453,828	1,860,833	1,568,509	1,571,030	1,677,972	1,999,264
1,473,204	2,781,229	1,964,050	1,797,442	1,584,841	1,587,083
388,113	32,465	466,456	3,042,035	5,355,400	6,212,270
346,153	620,488	565,093	469,392	784,591	1,003,227
45,241,365	51,986,736	57,675,400	63,149,301	69,797,859	79,236,099
7,373,944	6,194,854	10,716,203	7,366,860	11,643,907	14,953,395
17,055,566	18,566,151	21,016,777	23,814,871	22,506,973	28,595,690
3,165,128	4,518,287	4,230,705	5,093,469	5,905,390	6,745,005
2,410,715	2,280,474	-	-	-	-
-	-	2,357,091	2,955,513	2,997,025	2,726,013
6,321,116	5,107,781	1,854,424	9,603,060	10,598,829	13,573,686
4,465,820	5,852,193	4,346,908	4,873,802	6,064,892	6,568,819
2,789,973	2,658,310	2,240,571	2,119,181	2,796,012	3,682,727
298,874	-	22,900	21,591	162,614	262,077
43,881,136	45,178,050	46,785,579	55,848,347	62,675,642	77,107,412
$ 1,360,229	$ 6,808,686	$ 10,889,821	$ 7,300,954	$ 7,122,217	$ 2,128,687
$ -	$ -	$ -	$ -	$ 29,415,000	$ 15,740,000
-	-	-	-	-	4,782,401
-	1,674,226	-	-	-	-
(27,907,758)	-	(2,657,100)	-	-	-
3,675,133	-	-	-	1,706,457	1,511,807
24,530,000	-	2,680,000	-	-	-
-	-	-	1,225,000	-	-
-	-	-	-	-	-
1,886,227	1,876,633	1,990,448	1,950,484	2,111,582	1,625,284
(61,460)	(77,964)	(63,507)	(62,007)	(1,219,081)	(85,019)
2,122,142	3,472,895	1,949,841	3,113,477	32,013,958	23,574,473
$ 3,482,371	$ 10,281,581	$ 12,839,662	$ 10,414,431	$ 39,136,175	$ 25,703,160
19.3%	21.2%	14.7%	15.1%	16.1%	16.1%

City of Lancaster, Texas
Table E - Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Residential Property	Commercial Property	Business Personal Property	Less Tax Exempt Property	Total Taxable Assessed Value (1)	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value (2) as a Percentage of Actual Value
2016	1,207,302,440	741,208,550	561,067,510	463,091,833	2,046,486,667	0.86750	2,046,486,667	100.00%
2017	1,327,351,000	848,479,790	536,241,530	457,769,736	2,254,302,584	0.86750	2,254,302,584	100.00%
2018	1,581,905,170	995,032,200	580,387,360	583,754,295	2,573,570,435	0.86750	2,573,570,435	100.00%
2019	1,809,417,380	1,214,870,120	785,887,340	709,011,720	3,101,163,120	0.84090	3,101,163,120	100.00%
2020	2,013,786,870	1,362,512,500	784,932,460	436,378,276	3,724,853,554	0.81974	3,724,853,554	100.00%
2021	2,093,899,710	1,427,452,630	849,668,200	798,681,531	3,572,339,009	0.81974	3,572,339,009	100.00%
2022	2,649,382,350	1,908,765,100	1,032,042,050	1,236,403,466	4,353,786,034	0.69182	4,353,786,034	100.00%
2023	3,103,363,380	2,323,942,270	1,206,081,140	1,365,689,913	5,267,696,877	0.63900	5,267,696,877	100.00%
2024	3,315,081,280	3,078,944,240	1,622,906,660	1,460,064,502	6,556,867,678	0.60461	6,556,867,678	100.00%
2025	3,126,666,120	3,633,590,970	2,189,786,890	1,519,884,410	7,430,159,570	0.59949	7,430,159,570	100.00%

Source: City of Lancaster Budget Document

Dallas Central Appraisal District (a username and password is needed to access this info on the DCAD website)

Note: The County assesses property at 100% of its market value. Tax rates are per $100 of assessed value.

(1) Includes adjustments to certified rolls.
(2) Excludes tax exempt property.

City of Lancaster, Texas
Table F – Direct and Overlapping
Property Tax Rates
Last Ten Fiscal Years (Unaudited)

	City Direct Rates			Overlapping Rates			
Fiscal Year	Operating/ General Rate	General Obligation Debt Service	Total Direct	Lancaster Independent School District	Lancaster MUD#1	Dallas County	Dallas County Hospital (Parkland)
2016	0.601200	0.266300	0.867500	1.418000	1.060000	0.243100	0.276000
2017	0.601200	0.266300	0.867500	1.418000	1.060000	0.243100	0.276000
2018	0.601200	0.266300	0.867500	1.530000	1.000000	0.243100	0.279400
2019	0.595200	0.245725	0.840925	1.530000	1.000000	0.243100	0.269550
2020	0.605167	0.214569	0.819736	1.499900	0.950000	0.239740	0.266100
2021	0.605167	0.214569	0.819736	1.470400	0.920000	0.227946	0.255000
2022	0.531384	0.160438	0.691822	1.378100	0.920000	0.217946	0.235800
2023	0.484072	0.154932	0.639004	1.226700	0.920000	0.215718	0.219500
2024	0.449674	0.154932	0.604606	1.224400	0.920000	0.215500	0.212000
2025	0.420855	0.178635	0.599490	1.224400	0.950000	0.215500	0.212000

Source: Dallas County Tax Assessor

City of Lancaster, Texas
Table G – Principal Property Taxpayers
Current Year and Nine Years Ago (Unaudited)

	2025			2016		
Taxpayer	Assessed Value	Rank	Percentage of Total City Assessed Value (a)	Assessed Value	Rank	Percentage of Total City Assessed Value (a)
Walmart Stores Inc	$ 530,451,930	1	7.1%			
CSHV 20 35 LLC	310,158,730	2	4.2%			
Niagara Bottling	165,322,271	3	2.2%			
White Tract LLC	115,883,157	4	1.6%			
PR I35 Logistics Crossing Bldg	96,251,920	5	1.3%			
Oncor Electric Delivery	83,957,360	6	1.1%			
Midpoint Owner LLC	81,931,840	7	1.1%			
Southpointe Owner LLC	80,359,450	8	1.1%			
Prologis LP	71,395,896	9	1.0%			
Ollie's Bargain Outlet Inc.	71,291,155	10	1.0%			
Southpoint Owner LLC				$ 62,968,090	1	3.90%
ONCOR Electric				56,567,090	2	3.50%
Liberty Property Limited				56,231,420	3	3.50%
Duke Reality Land LLC				54,642,880	4	3.40%
Mobis Parts America LLC				48,737,155	5	3.00%
Riverbend Apartments LLC				44,532,500	6	2.80%
RHP202 LLC				39,552,000	7	2.40%
P9 Dallas 2023 LP				37,706,540	8	2.30%
Southwestern Bell				37,688,490	9	2.30%
IDIL Interstate Commerce Center				37,630,670	10	2.30%
Total	$ 1,607,003,709		21.7%	$ 62,968,090		29.4%

Source: Dallas County Tax Office

Note: (a) Taxpayers are assessed on January 1st of each fiscal year.

City of Lancaster, Texas
Table H – Ad-Valorem Tax Levies and Collections
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Outstanding Delinquent Taxes	Total Collections	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2016	$ 15,433,729	$ 15,129,575	98.03%	$ 80,080	$ 15,353,649	99.48%
2017	$ 17,874,074	$ 17,606,753	98.50%	$ 94,405	$ 17,779,669	99.47%
2018	$ 19,736,863	$ 19,443,209	98.51%	$ 128,719	$ 19,608,144	99.35%
2019	$ 22,150,576	$ 22,097,533	99.76%	$ 189,677	$ 21,960,899	99.14%
2020	$ 25,631,903	$ 25,334,598	98.84%	$ 588,496	$ 25,043,407	97.70%
2021	$ 28,092,618	$ 27,699,321	98.60%	$ 393,047	$ 27,699,570	98.60%
2022	$ 28,706,632	$ 28,133,681	98.00%	$ 572,951	$ 28,133,681	98.00%
2023	$ 31,358,549	$ 30,773,255	98.13%	$ 890,698	$ 30,467,851	97.16%
2024	$ 35,534,789	$ 34,082,876	95.91%	$ 765,212	$ 34,362,031	96.70%
2025	$ 39,676,384	$ 38,690,110	97.51%	$ -	$ 38,690,110	97.51%

Source: Dallas County Tax Assessor and Collector

City of Lancaster, Texas
Table I – Ratios of Outstanding Debt by Type
Last Ten Fiscal Years (Unaudited)

	Governmental Activities					
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premiums	Tax Notes	Subscription Liability	Other Obligations
2016	55,360,017	17,325,229	2,618,372	-	-	5,091,849
2017	55,160,017	14,340,000	2,579,060	-	-	4,488,159
2018	52,470,017	13,975,000	2,214,087	-	-	3,751,399
2019	58,845,017	13,600,000	1,955,408	-	-	3,306,328
2020	61,910,017	3,680,000	5,322,457	-	-	2,699,632
2021	58,305,017	3,600,000	4,863,056	-	-	2,038,457
2022	54,530,017	3,520,000	4,417,358	-	-	1,789,757
2023	50,555,017	3,440,000	4,048,871	1,225,000	378,657	1,373,718
2024	46,510,017	32,775,000	5,316,200	-	-	-
2025	43,300,017	45,570,000	6,330,733	4,782,401	7,950	615,714

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Table N for personal income and population data.

Business-type Activities						
Water and Sewer General Obligation Bonds	Premiums	Airport Bonds	Other Obligations	Total Primary Government	Percentage of Personal Income	Per Capita(a)
9,489,879	116,202	76,282	-	90,077,830	11.29%	2,284
8,324,983	170,722	68,254	-	85,131,195	6.92%	2,217
7,064,983	146,522	55,000	-	79,677,008	9.20%	2,022
6,584,983	126,017	51,566	-	84,469,319	9.44%	2,138
6,094,983	107,121	40,000	-	79,854,210	8.46%	2,042
5,589,983	89,832	30,000	-	74,516,345	6.49%	1,568
5,079,983	71,911	20,000	95,097	69,524,123	6.42%	1,564
4,489,983	58,919	10,000	-	65,580,165	5.48%	1,573
3,889,983	47,111	-	-	88,538,311	6.81%	1,954
3,319,983	36,634	-	-	103,963,432	7.32%	2,276

City of Lancaster, Texas
Table J – Ratios of Net General Bonded Debt Outstanding per Capita
Last Ten Fiscal Years (Unaudited)

	General Bonded Debt Outstanding						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premium	Less: Amounts Available in Debt Service Fund	Total	Percentage of Actual Taxable Value of Property (a)	Per Capita (b)
2016	$ 60,873,448	$ 17,326,233	$ 2,618,372	$ 808,824	$ 80,009,229	3.78%	1,965
2017	$ 60,420,622	$ 20,157,414	$ 2,579,060	$ 2,067,582	$ 81,089,514	3.48%	2,047
2018	$ 56,400,609	$ 19,470,000	$ 2,214,087	$ 3,085,202	$ 74,999,494	2.83%	1,848
2019	$ 62,346,425	$ 18,765,000	$ 1,955,408	$ 3,659,232	$ 79,407,601	2.50%	1,962
2020	$ 67,232,474	$ 8,505,000	$ 5,322,457	$ 5,297,018	$ 75,762,913	1.89%	1,804
2021	$ 59,425,000	$ 8,070,000	$ 4,863,056	$ 7,178,670	$ 65,179,386	1.69%	1,461
2022	$ 54,530,017	$ 3,520,000	$ 4,417,358	$ 8,406,453	$ 54,060,922	1.14%	1,195
2023	$ 50,555,017	$ 3,440,000	$ 4,048,871	$ 11,690,613	$ 46,353,275	0.80%	1,015
2024	$ 46,510,017	$ 32,775,000	$ 5,316,200	$ 12,899,603	$ 71,701,614	1.01%	1,574
2025	$ 43,300,017	$ 45,570,000	$ 6,330,733	$ 18,954,828	$ 76,245,922	1.03%	1,799

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(a) See Table E for property value data.

(b) See Table N for population data.

City of Lancaster, Texas
Table K – Legal Debt Margin Information
Last Ten Fiscal Years (Unaudited)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Tax rate limit	$ 2.5000	$ 2.5000	$ 2.5000	$ 2.5000	$ 2.5000	$ 2.5000	$ 2.5000	$ 2.5000	$ 2.5000	$ 2.5000
Current tax rate	0.8675	0.8675	0.8675	0.8409	0.8197	0.7693	0.6918	0.6390	0.6046	0.5995
Available tax rate	$ 1.6325	$ 1.6325	$ 1.6325	$ 1.6591	$ 1.6803	$ 1.7307	$ 1.8082	$ 1.8610	$ 1.8954	$ 1.9005

Note: The City Charter of the City of Lancaster, Texas, does not provide for a debt limit. Under provisions of state law, the maximum tax rate is limited to $2.50 per $100 assessed valuation. No direct bond debt limitation is imposed on the City under current state law or the City's Charter.

City of Lancaster, Texas
Table L – Direct and Overlapping
Governmental Activities Debt
September 30, 2025 (Unaudited)

Governmental Unit	Gross Bonded Debt	Estimated Percentage Applicable (1)	City Share of Overlapping Debt
Lancaster I.S.D.	$ 140,145,000	87.54%	$ 122,682,933
Dallas County	179,530,000	1.48%	2,657,044
Dallas County Hospital District	511,285,000	1.48%	7,567,018
Dallas County Community College District	247,115,000	1.48%	3,657,302
Dallas I.S.D.	4,613,765,000	0.25%	11,534,413
Ferris I.S.D.	71,347,629	11.00%	78,482
City of Lancaster (Direct Debt)	100,606,815	100.00%	100,606,815
Total Direct and Overlapping Debt	$ 5,863,794,444		$ 248,784,007

Source: Municipal Advisory Council of Texas

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Lancaster boundaries and dividing it by the overlapping government's total taxable assessed value.

City of Lancaster, Texas
Table M – Secured Revenue Coverage
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Total Revenues (a)	Less: Operating Expenses (b)	Net Available Revenue	Annual Requirement (c)	Times Coverage
2016	$ 17,721,270	$ 14,380,758	$ 3,340,512	$ 1,517,470	2.20
2017	$ 17,988,887	$ 12,635,280	$ 5,353,607	$ 1,484,822	3.61
2018	$ 17,665,764	$ 14,640,200	$ 3,025,564	$ 1,485,106	2.04
2019	$ 17,801,357	$ 12,508,268	$ 5,293,089	$ 1,365,406	3.88
2020	$ 18,901,027	$ 14,573,772	$ 4,327,255	$ 1,202,950	3.60
2021	$ 19,134,303	$ 13,816,010	$ 5,318,293	$ 704,781	7.55
2022	$ 22,408,699	$ 15,597,498	$ 6,811,201	$ 668,274	10.19
2023	$ 26,902,764	$ 16,117,540	$ 10,785,224	$ 666,958	16.17
2024	$ 30,711,541	$ 18,471,336	$ 12,240,205	$ 656,840	18.63
2025	$ 35,353,047	$ 21,634,141	$ 13,718,906	$ 623,745	21.99

Note: (a) Includes operating and nonoperating revenues.

(b) Includes operating expenses minus depreciation.

(c) Includes principal and interest.

City of Lancaster, Texas
Table N – Demographic and Economic Statistics
Last Ten Calendar Years (Unaudited)

Year	Estimated Population (a)	Personal Income	Per Capita Personal Income (b)	Median Age (b)	Median Household Income (b)	School Enrollment (c)	Unemployment Rate (d)
2016	39,380	$ 796,342,360	$ 20,222	32.3	$ 49,590	7,051	5.8%
2017	38,361	$ 1,228,973,384	$ 31,144	32.9	$ 50,137	7,315	6.4%
2018	39,386	$ 865,901,210	$ 21,985	33.1	$ 54,331	7,365	5.9%
2019	39,477	$ 893,838,234	$ 22,642	33.1	$ 55,907	7,365	5.3%
2020	39,040	$ 942,308,480	$ 24,137	32.2	$ 57,259	7,467	11.0%
2021	41,275	$ 996,254,675	$ 24,137	32.2	$ 57,259	7,474	7.5%
2022	41,560	$ 1,012,817,200	$ 24,370	32.6	$ 57,832	7,176	6.1%
2023	41,685	$ 1,196,651,295	$ 28,707	32.6	$ 59,952	7,096	5.9%
2024	42,183	$ 1,210,947,381	$ 28,707	31.7	$ 65,323	7,032	5.3%
2025	42,394	$ 1,318,750,158	$ 31,107	34.6	$ 67,584	7,014	6.3%

Sources: (a) Estimated Population – North Central Texas Council of Governments

(b) Per Capital Income, Median Age, Median Household Income - U.S. Census Bureau 2004-2014, and the 2015-2019 American Community Survey 5-year Estimates

(c) Texas Academic Performance Report; 2020-21 District Student Information

(d) Unemployment, Texas Workforce Commission, Texas LMI Database

City of Lancaster, Texas
Table O – Principal Employers
Current and Six Years Ago (Unaudited)

	2025			2017		
Employer	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Walmart (Fullfillment, Cold Storage & Retail)	2125	1	9.93%	0	-	0.00%
Lancaster ISD	915	2	4.28%	689	1	3.45%
DSV	450	3	2.10%	0	-	0.00%
Wayfair	401	4	1.87%	0	-	0.00%
ThredUp	400	5	1.87%	0	-	0.00%
Crescent Medical Center	362	6	1.69%	0	-	0.00%
Niagara Bottling	350	7	1.64%	0	-	0.00%
City of Lancaster	299	8	1.40%	0	-	0.00%
Oak Creek Homes American Homestar	295	9	1.38%	280	6	1.40%
Cedar Valley College	280	10	1.31%	220	7	1.10%
Total	5,877		27.47%	1,189		5.95%

Source: City of Lancaster Economic Development Corporation

City of Lancaster, Texas
Table P – Full-Time Equivalent City Government Employees by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
General Government Division	36	45	61	60	77	86	72	76	72	57
Public Safety Division	139	130	131	147	126	140	139	138	136	149
Public Works Division	4	4	3	2	4	4	5	5	4	6
Community Development Division	17	17	10	7	6	7	6	6	6	8
Nondepartmental Division	-	-	-	-	-	-	-	-	-	-
Water and Sewer	23	20	17	17	20	29	24	29	21	24
Airport	6	5	5	5	4	4	4	5	5	2
4A LEDC Fund	1	2	2	2	2	2	2	2	2	2
4B LRDC Fund – Library	13	13	13	11	10	8	6	7	8	2
Parks and Recreation Fund	34	33	42	34	22	24	24	24	34	23
Housing	-	-	-	-	-	-	-	-	1	-
Stormwater Fund	8	10	10	9	12	13	6	13	10	10
Total	281	279	294	294	283	317	288	305	299	283

Sources: City of Lancaster Budget Document

Note: (a) Full-time equivalent information is unavailable.

City of Lancaster, Texas
Table Q – Operating Indicators by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Police										
Number of police officers	52	44	54	55	57	54	52	66	55	54
Number of violations (citations)	6,698	8,110	13,014	17,726	10,422	8,748	8,182	11,417	9,859	8,603
Municipal Court										
Number of traffic cases	8,678	6,542	7,326	8,364	6,272	7,603	6,306	6,508	4,618	2,562
Number of city ordinance cases	1,085	330	426	438	776	775	814	465	1,278	2,766
Fire										
Number of fire fighters	62	63	68	66	66	66	64	67	68	89
Number of emergency fire responses	1,773	1,864	2,135	2,566	1,961	2,761	3,701	5,066	3,163	3,417
Number of medical emergencies	4,668	4,662	4,456	4,998	4,132	5,271	4,984	3,163	5,159	4,556
Parks and Recreation										
Number of acres	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	1,087	984
Number of recreation center participants	12,852	16,448	20,425	24,970	2,205	2,152	3,344	6,678	7,302	14,111
Library										
Volumes in collection	83,827	86,558	87,716	97,018	79,252	75,158	76,086	70,521	76,591	70,124
Number of library cardholders	10,364	35,305	36,906	12,961	13,363	20,374	21,001	21,586	22,717	23,636
Water and Wastewater										
Number of water accounts	14,242	15,119	15,312	15,587	15,361	16,108	16,905	15,573	16,001	16,633
Average daily water consumption (millions of gallons)	4	5	6	6	6	7	8	8	8	9
Average daily effluent (millions of gallons)	5	5	5	5	5	5	6	4	4	4

Sources: City Departments

City of Lancaster, Texas
Table R - Capital Asset Statistics by Function/Program
Last Ten Fiscal Years (Unaudited)

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Public Safety										
Fire stations	3	3	3	3	3	3	3	3	3	3
Police stations	1	1	1	1	1	1	1	1	1	1
Culture and Recreation										
Parks and Recreation										
Number of parks	19	19	19	19	19	19	19	19	19	19
Number of baseball diamonds	8	8	8	8	8	8	8	8	8	8
Number of soccer/football fields	13	13	13	13	13	13	13	13	13	13
Public swimming pools	1	1	1	1	1	1	1	1	1	1
Community centers	3	3	3	3	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Water and Wastewater										
Water mains (miles)	208	208	209	210	213	213	215	217	220	220
Sanitary sewer mains (miles)	174	205	210	211	212	214	217	217	192	208
Fire hydrants	1,638	1,793	1,804	1,845	1,862	1,883	1,921	1,856	1,856	1,868

Sources: City Departments

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